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THE

BANKERS MAGAZINE

VOLUME CXIII

JULY TO DECEMBER

1926

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BANKING AND COMMERCIAL LAW

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THE BANKERS MAGAZINE

ESTABLISHED 1846 ELMER H. YOUNGMAN, *Editor*

VOLUME CXIII JULY, 1926 NO. 1

Editorial Comment

LOOKING TOWARD INDUSTRIAL PEACE

THE Watson-Parker Act for the adjustment of railway labor disputes, through a board of mediation which the act sets up, must be regarded as an important step toward industrial peace. Five members of the Board of Mediation are to be appointed by the President, by and with the advice of the Senate. It is provided that "No person in the employment of or who is pecuniarily or otherwise interested in any organization of employes or any carrier shall enter upon the duties of or continue to be a member of the board." It will be seen that the purpose of the act is to set up an impartial agency of mediation, independent of the roads or their employes.

Provisions of the new law are not compulsory, but the services of the board may be invoked or may be profferred in cases where the parties in dispute have failed in conference to reconcile their controversies.

Arbitration machinery is provided for in the act, but this again is not mandatory. But when arbitration has been invoked by mutual consent, the final decision of the arbitrators shall be binding.

This experiment of settling railway disputes by a resort to mediation and arbitration, instead of by the costly procedure of a strike, will be watched with great interest and in a spirit of hopefulness. It would seem reasonable to suppose, in all these contentions between employers and employes, there ought to be a common basis of fairness upon which the claims of each party to the controversy could be settled. The chances are that such disputes can be settled more promptly and more equitably in the judicial atmosphere of boards of mediation and arbitration than in the heated atmosphere engendered by a strike. The latter being a qualified form of war, adjustments reached by this means are apt to be of a temporary character. There has been, generally, on one side or the other, a yielding to superior endurance, which is bound to leave a spirit of irritation. Judicially settled, these controversies need leave behind them no bitterness if the mediators and arbitrators faithfully fulfill their duties.

The results of this new law may be of great importance, not to the railways only, but to all leading branches of industry.

INCREASED WAGES IN THE CONSTRUCTION INDUSTRY

AGITATION for an increase of wages in the construction industry is regarded in some quarters as constituting a menace to continued activity in that line. Should this demand for increased wages be granted, and have the result mentioned, its effects would be far-reaching, since the prosperity of so many other lines of industry is dependent upon active construction.

The exceptional demand that has existed for some years for additional and larger commercial structures, and for increased housing accommodation, has given to those engaged in building an opportunity of which they have not been slow in taking advantage. Prices of buildings, rents and wages have all been on the upgrade for some time. It is but natural that the workers in this industry should wish to share in what appears to be a period of unexampled prosperity in their line of work, and should ask for increased wages.

Either because the cost of building has become too high owing to the rise in wages and cost of materials, or because the demand for housing accommodations has been fairly well supplied for the time being, there are some indications already of diminished construction activity. In view of this fact, any demand for an increase of wages at the present time might be inopportune. As the trend of commodity prices has for some time been downward, the agitation for increased wages can hardly be based upon an increase in the cost of living.

In estimating the economic situation of the United States thoughtful observers have for some time regarded the wage situation as artificial and one that could not be indefinitely maintained. Misgivings of this character are commonly silenced by the reply that high wages are a prime cause of our prosperity, and that our trade and industry depend for activity on the high standard of life which good wages make possible. Undoubtedly, this view contains much truth. But, unfortunately, experience has shown that the prices of stocks, of lands, and of other things do not forever go up without coming down. It is a law applicable also to the rate of wages.

THE HIGH COST OF GOVERNMENT

AN interesting phase of American politics is revealed by the publication of the figures giving the cost of conducting a campaign for the nomination of a United States Senator in the State of Pennsylvania. According to these figures, the outlay for selecting a man to be voted for for this important office was approximately $1,500,000. When it is considered that this represents only the expenditures of candidates in the primary, and that the official expenses of the primary and the costs of the election are not included, it will be seen that nominating and electing a United States Senator is an expensive luxury for even so rich a state as Pennsylvania.

In this connection some interesting speculations arise. One cannot refrain from wondering what motives prompted some of the contributors to this huge campaign outlay. Were they moved solely by consideration for the public good and friendship for the candidate whom they backed with their money, or were their liberal contributions stimulated by a lively hope of favors to come should their candidate be nominated and subsequently elected?

The direct primary has been regarded by its sponsors as a sure remedy for all the real or imaginary evils that inhered in the convention system of other days; but if this political device calls for huge outlays of money, which the candidates themselves are unable to make, and which must be furnished by their wealthy friends, it would seem that the direct primary may prove more obnoxious than the convention system which it supplanted.

Another question inevitably arises, and that is as to whether we get better officials under the direct primary than we did when candidates were named by a delegate convention.

Looking over the present members of the United States Senate, which undoubtedly contains some men of very great ability, it can hardly be said that they compare favorably with those of an earlier day. This may be due to the direct primary or to other causes, but it would seem to be a fair inference that the direct primary involves so much expense and controversy that men of first-rate ability are not inclined to engage in a struggle involving so great an expenditure of effort and money.

In seeking to reduce the high cost of government, the present expensive method of nominating candidates for office may well be subjected to close scrutiny.

CONTROL OF CAPITAL AND LABOR IN ITALY

UNDER a recent plan adopted by the Italian Government, all labor disputes arising in that country must be submitted to arbitration, and for this purpose special courts will be created, with a new labor code added to other legal codes, providing for penalties, appeals, method of handling jurors, qualifications of jurors, etc. The principle of the new plan rests upon the assumption that the government has the right and power to control directly through the new Ministry of Corporations and the elaborate machinery of subsidiary organizations the entire productive life of the country. In this view the nation's productivity is regarded as an essential part of its patrimony, from which it follows that control over productivity should be exercised by the government alone. It is further held that "a liberal trade union system, creating a state within a state, is intolerable."

While under the new plan arbitration of labor disputes is compulsory, the government reserves the right to intervene at any time for any purpose "for the protection of national interests."

It will be seen that the Italian plan for composing labor troubles differs materially from the law recently passed in the United States creating a board of mediation for settling disputes between the railways and their employes. In the latter act arbitration is also provided for, but it is voluntary, not compulsory as in Italy. American workmen have generally rejected compulsory arbitration as opposed to their freedom of action to strike as a last resort.

Our experiment with mediation and conciliation will be watched with great interest. Undoubtedly, if possible, it will be better to reconcile differences between employers and employes by conciliatory methods rather than by a resort to compulsion of any kind. But, seeing the terrible implications of anything like a general strike, the public may decide that such a stern measure is necessary if milder methods fail.

Industrial wars are costly and in the end of little good to any one concerned in them, and both "labor" and "capital" will gain by realizing their mutuality of interest, and endeavor to get together on common ground rather than to resort to hostilities which in the long run are pretty sure to be injurious to both sides and decidedly harmful to the public.

COMFORTABLE POSITION OF THE TREASURY

RECEIPTS of the Government for the fiscal year ending June 30 were so large that it was found unnecessary to resort to borrowing in order to meet current expenditures and to retire some $300,000,000 of the short-term debt which matured on June 15. This is the first time since the Government devised its plan of financing the public debt left by the Great War that quarterly borrowing has not been imperative. The indicated surplus at the close of June was around $400,000,000, and the probable reduction of the public debt for the fiscal year about $850,000,000. Income tax payments have exceeded expectations, and late reports indicate that the customs receipts for the last fiscal year surpass all previous returns from that source.

The situation above disclosed is peculiarly gratifying in view of the fact that there are large problems of refinancing immediately ahead of the Treasury, and their handling will be made easier by the present comfortable position. In September of next year some $2,568,000,000 of the Third Liberty Loan bonds, drawing 4¼ per cent. interest, will have to be taken care of, and besides in the two-year period some $2,000,000,000 short-term Treasury notes and certificates will mature, the interest rate on these obligations being about the same as on the bonds mentioned above. There are besides over $3,000,000,000 of the Second Liberty Loan bonds which are callable in 1927, but as these obligations do not mature until 1942, it is not expected that the Treasury will be in a position to take advantage of the opportunity of retiring any of these bonds until after it has taken care of the earlier maturities, which in themselves will make large demands on the money market.

Should present fairly easy conditions continue, it is expected that when refunding of the early maturities is effected it will be possible to borrow at a lower rate than the 4¼ per cent. which the outstanding obligations generally bear.

Treasury financing has been rendered comparatively easy of late because of economy in Government expenditures, prosperous business conditions and large tax yields. The skilful handling of Treasury operations by Secretary Mellon has also been a factor of great importance in maintaining a high degree of confidence in the financial position of the Government.

FARMERS AND THE BANKS

THOSE who have carefully followed the proceedings of the conventions of the American Bankers Association must have noticed what a large share of attention has been paid to the interests of the farmers of the country. That such a course should be taken is obvious enough when it is recalled that, despite the enormous growth of manufacturing in recent years, farming still constitutes the most important single industry in the country. This fact makes even the greatest banks very keenly alive to the necessity of keeping this industry on a profitable basis. Besides this general interest on the part of the larger banks, thousands of the smaller banking institutions, located in agricultural districts, depend upon the prosperity of the farmer for their prosperity, and for their very existence. That this view is not exaggerated appears from the fact that, rather recently, hundreds of banks succumbed to adverse agricultural conditions in their respective localities.

While the bankers have been helpful to the farming interests through the associations of bankers, they have been even more helpful through their close relations with farmers as individuals. Conversing with the editor of THE BANKERS MAGAZINE a short while ago a banker gave some striking illustrations of this fact. He told of several instances where loans had been made to farmers who, because of crop failures, had been unable to repay the loans or even to meet interest payments for two or three years. Instead of foreclosing the loans, and making the situation of these farmers worse, as might have been done had the banker insisted on a strict exercise of his rights, it was decided, as the banker expressed it, "to carry them along," in the belief that given time and opportunity they would work out of their unpleasant situation. Fortunately, in every case, they had been able to do this out of a good crop during the present year. Not only were they able to pay up accumulated interest, but were in a position to pay off the principal of their loans.

The question arises as to whether the bank in this action was not taking undue risk. It was not doing so in respect to the principal sums which the loans represented, for these were adequately secured by a conservative valuation of the land and improvements. The case is not quite so clear with reference to long-deferred interest payments. It is manifest that a bank having large deposits payable on demand must keep a large proportion of its assets liquid in order to be always able to meet the demand on its cash likely to arise from this source. It would be a matter of nice judgment on the part of the banker as to just how far he could go in exercising forbearance toward his tardy debtors. Obviously, if he tied up a considerable portion of the bank's assets in slow loans, trouble might ensue.

In the cases cited the banker knew his dealers, had faith in their capability and in their honesty. He took great satisfaction in finding that his faith had been vindicated. If such cases invariably had such a happy ending, which unfortunately they do not, bankers would be disposed undoubtedly to exercise the faith and forbearance evidenced in this particular instance. From a strictly commercial banking standpoint, these slow loans on real estate are not looked on with favor. But it is clear that in an agricultural country like the United States the banks must render the highest degree of service in the most practicable manner. The country banks have not found it possible to conduct their operations strictly on the pure principles of commercial banking, and have been compelled to lend on real estate, and not infrequently these loans have turned out to be exceedingly slow. In the case of national banks, prior to the enactment of the Federal Reserve Act, real estate loans were forbidden, although by more or less devious methods a way was found to get around this prohibition. The Federal Reserve Act gave legal recognition to the desirability of having the national banks make real estate loans, and endeavored further to provide for these loans out of the savings or time deposits of the banks.

A striking illustration of the close relations existing between the banks and the farmers was afforded by a recent Iowa dispatch in the *New York Times*. An instance was given where the stock of a bank was owned to the extent of 85 per cent. of the total by the farmers of the community. The dispatch went on to say that this particular village had never known hard times, being situated in one of the richest farming communities of the state, where the farmers have modern homes, tractors, radios and telephones.

Bankers may not make much political capital out of the helpful services they render the farmer, but it is a safe guess that the farmer gets more real help from the banks than he can hope for from Washington.

THE "GENERAL STRIKE" IN ENGLAND

EMERGING from what was styled "a general strike," British character and institutions have again vindicated themselves in the eyes of the world. Whether the palm of victory in this memorable contest belongs to the government or to the strikers —or to neither side as is more probably the case—the people of Great Britain have once more shown their ability to extricate themselves from a most serious situation without that "wreck of matter and the crash of worlds" which many feared. "The Monument" on Fish Hill still stands, and the Landseer lions still lie contentedly at the base of the lofty Nelson column in Trafalgar Square. The Derby has been run again, cricket is going on as usual, and Lloyd George never seemed more active. Stands Scotland where it did.

Truly, the British Constitution—which is not a document like ours, but a collection of traditions and precedents —has undergone a severe test, and has demonstrated that it possesses remarkable strength and flexibility. All this constitutes a solid ground for confidence to those who are disturbed by fears that the ship of civilization is slipping from its moorings. In England, at least, the cables are firmly holding.

That the British people have been able to weather this storm is a proof of their solid qualities, their patience under trial, and their indisposition to yield in the face of threats however grave. Much credit belongs to Stanley Baldwin for his firmness and wisdom.

But, gratifying as are these evidences of national stability, they do not settle the coal strike nor the larger problem of industrial conditions of which it was but a part. The coal-mining industry in Great Britain is admittedly sick, and several other related industries are not in a vigorous condition. Diagnosticians differ as to the causes, and therefore as to the remedy. Doubtless the destruction of wealth and purchasing power and the enormous indebtedness brought about by the Great War have been largely responsible for the derangement of industry with which Great Britain has been suffering for several years.

The suspension of the "general strike" will afford a breathing-spell which it is to be hoped will be utilized in finding a path that may eventually lead out of present difficulties.

THE MOTIVE OF BRITISH BANK MERGERS

WRITING in the June number of THE BANKERS MAGAZINE, Professor George W. Edwards thus explains the motive which prompted the merger of a number of the British banks:

"The prime force which brought about the amalgamation movement was the need of unity in financing foreign trade."

American banks have sought to achieve the same end by uniting to form special corporations for the purpose, though not with much success. At present financing of this character is largely in the hands of a comparatively small number of the big banks, operating in this country and through branches abroad. Probably, should we ever reach a position where foreign trade is relatively of as much importance to us as it is to the British Isles, the amalgamation movement among banks may be speeded up in this country for the same reasons as operated in Great Britain.

As a matter of fact, the increasing demand for large loans to a single concern, and other domestic banking requirements, have acted but slowly in producing any decided tendency toward banking consolidation. The chief financial centers of the United States still have numerous banks, few of them reaching anything like the gigantic proportions of the members of the "Big Five" group in London.

Despite the merger of a number of the British banks into a few large institutions, a demand would seem still to exist for a combination of some of these great banks to form an even greater institution for financing foreign trade, or at least for operating in foreign countries. Familiar examples are Lloyds and the National Provincial Foreign Bank, and the British Overseas Bank. Barclays Bank (Dominion, Colonial and Overseas) is of a somewhat similar type.

The fact that the British banks have found it desirable to consolidate for foreign trade purposes, and to organize special types of institutions, may furnish an instructive example which American banks may find it profitable to follow in the course of time. A consummation of this sort is hardly to be expected until there is a greater recognition of the importance of foreign trade than now generally prevails.

HISTORICAL BANK ADVERTISING

NUMEROUS examples of what are known as "historical bank advertisements" appeared in the June number of THE BANKERS MAGAZINE, a number that was itself historical, since it commemorated the publication's eightieth anniversary.

This style of bank advertising has not escaped the criticism of the modern financial advertising expert, who considers it in the light of glorying too much in the past, and not giving due regard to the demands of the present and future. If a bank harped too continuously on its history, this criticism would be valid; but a bank, like an individual who has reached a good old age, should be permitted now and then to indulge in a bit of reminiscence without justly incurring censure. An honorable record, steadily maintained for fifty years or longer, is something in which a bank may take a just pride; and while such a record does not of itself make the future secure, it does offer some assurance that those charged with the present and future management of the institution can hardly escape its long and honorable traditions. There have been exceptions, of course; and some times rascals have bought a bank with an honorable name and history for the purpose of trading on it and concealing their dishonest and reckless transactions. Fortunately, such cases are rare. Generally, the good name of a bank, established by long years of careful and capable management, defying the storms of time, constitutes a valuable asset, and one which present managers are jealous to preserve.

In looking over the "historical bank advertisements" appearing in the June number of THE BANKERS MAGAZINE, it is believed they will be found rather more attractive and interesting than the ordinary bank announcement. The illustration, not generally the modern skyscraper, but some modest structure of a bygone type of architecture, at once attracts the eye; and the text, also, having more latitude than the usual advertisement, is found more readable and interesting.

Compared with many other nations of the world, this country is yet in its youth, and our banks, generally speaking, cannot be expected to pride themselves so much on age as do the banks of older lands. Still, we have a fair number of banks of a century and upwards, and a still larger number of half that age and more.

In selecting a bank, one would hardly be guided by age alone; but, other things being equal, the fact that a bank has done business long and safely constitutes an additional recommendation. It is doubtless because of a recognition of this fact that the older banks show a disposition to dwell with pride on their history.

AN UNRECORDED ITEM OF AMERICAN EXPORTS

ONE may scan the official movements of our foreign trade in vain to find an item that nevertheless bulks large in its effects upon world commerce. Reference is made to the brains of America exported to various countries to aid in rehabilitating their shattered and demoralized banking and currency systems. The most recent as well as the most notable example is the Dawes Commission, which after repeated attempts in other quarters, all of which had proved futile, finally effected a measurable straightening out of the reparations tangle, and set Germany on the pathway to economic restoration and financial health.

In surveying the work of our financial and banking experts, in addition to the Dawes Commission, the work of Charles A. Conant, Jeremiah W. Jenks, H. Parker Willis, Morgan W. Shuster and Edwin W. Kemmerer will readily be recalled. All these gentlemen and others have done notable work in various quarters of the world. In some cases their efforts have been defeated, not because their plans were unsound or impracticable, but because the governments concerned were either unwilling or politically unable to put the recommendations of the experts into effect.

The selection of American financial experts to devise sound and safe systems of banking and currency is a recognition of the fact that we have in this country a number of men who have thoroughly mastered the intricacies of banking and finance, and are capable of giving practical counsel on these subjects.

The doubt can not be dismissed as to whether the views of these experts are given as much credence at home as they are abroad. Even the Federal Reserve Act contains more of Bryan and Owen than it does of any one of these recognized banking authorities. But that the prophet is not without honor save in his own country is well known. In fact, the advice of the man who really knows something about banking and currency is rather lightly regarded by the American Congress when it undertakes to legislate on these subjects. Bankers themselves often find their views regarded with scant respect. Men who have devoted their lives to special study of these intricate subjects are generally dismissed as theorists. But other countries, when in need of expert assistance in reshaping their banking and currency systems, promptly turn to these authorities as their safest guides. The credit these gentlemen may thus gain by foreign recognition of their abilities may cause them in time to be more highly regarded at home.

STABILIZING THE UNSTABLE

THAT things are fluctuating and uncertain in this world is a cause of much perturbation to many noble minds. Could they only succeed in tying things to something fixed, their distress would be much assuaged. Prices of farm products are subject to violent fluctuations, not only over a series of years, but annually, and not infrequently between one season and another. It is difficult to see how this could be otherwise, seeing the vast extent of territory over which farm crops are produced, the various factors that affect the demand for these products, to say nothing of the vagaries of the weather. With the best information available, farmers cannot relieve themselves of these uncertainties, except to a limited extent. If there is a large carry-over of wheat, corn, etc., for one year, they may reduce the acreage of the surplus crops, but with the uncertainties surrounding production, they can have little assurance of the wisdom of such a policy. Its effects may be defeated by unexpectedly large yields per acre, so that the reduced acreage fails to curtail the total yield; or, on the other hand, the crops may be so poor as to bring a very inadequate return even though the price obtained may be higher.

Various proposals have been put forth to relieve the farmer of this uncertainty, one of the most popular being that the Government should take over the surplus of any one year, and carry it along until it can be marketed with a minimum of loss.

The demand for relief to agricultural producers rests upon the fact that agriculture constitutes one of the country's basic industries, and that practically all lines of trade and industry are affected by the prosperity of the farmer. If the truth of this be conceded, a pretty good case could be made out for other lines of industry also of great importance and subject to many uncertainties. Should the Government stop with the relief of agriculture, or should it nurse other important industries that may be in temporary distress?

It is true that in one respect the farmer is worse off than those engaged in most other lines of production and trade: his operations are largely at the mercy of the weather; but, probably, taking one year with another, the losses sustained by unfavorable weather are not much greater than those arising from the vicissitudes to which other kinds of business are subject. For one thing, the fashions do not much affect the business of farming. The farmer does not annually have to study the styles before sowing his wheat or planting his corn: people eat about the same kind of bread year after year. One engaged in many other kinds of business must adjust his production to the changing fashions, and the whims of fashion match in variability the performances of the weather. But these are the chances men must take who engage in business. Is it clear that the farmer is

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CAPITALISM—OR WHAT?

By Charles M. Schwab

THE attempt to establish a better order of society—a more perfect world—is a very old endeavor. Socialism is not modern. There is no social theory today that was not known hundreds of years ago; many of them have been tested in isolated experiments here and there. And all the time the great mass of mankind has progressed under one system which we call capitalism. All the industrial advance of the past centuries—and it has been considerable—has taken place under the capitalistic order.

CHARLES M. SCHWAB
Chairman Bethlehem Steel Corporation.

On the other hand, every socialist community in the history of the world has proved to be a failure. That in itself is a very significant fact. It indicates, the writer thinks, that the principle of capitalism is an enduring one, sufficiently versatile to meet varying human needs; and that the principle of socialism, even when tried in small, selected communities, is not applicable to human nature for very long.

OPPOSING PRINCIPLES OF CAPITALISM AND SOCIALISM

Essentially, these principles can be defined as follows: Capitalism believes in private ownership and a wage scale graduated according to ability. Socialism advocates public ownership of land and of capital with a level of wages that remains in general the same, although it is sometimes suggested that higher rewards should be paid for the more unpleasant work. There are, of course, many forms of socialism and many ramifications of this idea. But the doctrines, the writer thinks, are all constructed upon the basis given above; public ownership vs. private ownership, a general level of wages vs. a wage adjusted to the individual.

We are familiar with the recent example of government control of the railroads during the war. It was a failure. Private ownership has always been more efficient than public ownership. The high degree of efficiency in American industrial life is due to the initiative and competitive endeavor of the American business man. And this efficiency, in turn, has been able to render greater returns to owners, laborers and customers.

In advocating public ownership, socialism says to the grocer's clerk—who has a dream perhaps of establishing some day a great factory that will distribute its products all over the world—socialism says to that man: "You can't do it. You can't own that factory. Those products will not be your products, stamped with your guarantee and your reputation. But we will give you a salary as a worker and perhaps make you manager." It is submitted that the state that says that to its citizens is crushing out a very precious spirit—the spirit of achievement that has made America the leading industrial country in the world.

THE QUESTION OF WAGES

Of course, the same indictment is true of those who would establish a wage level that is substantially the same for all workers. We have today a wage system based on ability. An individual is paid according to his value. Who would have it otherwise? Industry asks of the American laborer only one thing—ability. If he has that, her rewards are great. The ranks of American business men are crowded with those who started their careers with no other talent than the skill of their own minds and hands and who have become leaders. Almost all the railroad officials of today started at the very bottom of their profession. So common is this sort of thing that it is taken for granted in America; no one expresses any surprise when a man who was an office boy forty years ago becomes president of one of the largest corporations in the world.

The writer holds it to be true that the fundamental principle of democracy is to give all men an equal opportunity for achievement according to their ability. Neither religious creed nor race nor social rank are to be permitted to interfere with this. In no sphere of life does this democratic principle prevail as in the economic world. The capitalistic system in the United States is based upon that idea.

CAPITALISM NOT PERFECT

By this it is not meant that the capitalistic system as it now stands is perfect. This is far from being the case. There are many abuses that can and must be remedied. There have been many changes during the last few years that were most desirable and that have abolished a great deal of unfairness for which the capitalistic system was once responsible. These changes have been made by experienced lawyers acting with the help of able business men who realized the responsibility of their task and could be relied on to avoid hasty and ill-considered measures that would be productive of harm rather than of good.

Capitalism has grown with the human race and is a product of human nature. As human nature changes, so will capitalism be modified. A change in the capitalistic system based on a false estimate of human nature would only spell disaster.

Our present system is based on rewards for individual efforts and attainments. Socialism would disregard the standards of the individual and establish those of the group; men would be paid on a basis of group mediocrity instead of individual achievement. It is very doubtful if men would work as well under this system as they do today with the incentive of an extra reward when their work is particularly well done. During the Industrial Revolution it was claimed that the laborer sank lower with the progress of industry. That is not true today. Never in the history of the world have the real wages of the worker been as high as they are now in the United States.

THE TRANSFORMATION OF WORKMEN INTO CAPITALISTS

The progressive changes that have taken places under capitalism have been spoken of. Perhaps the most important of these is the gradual transformation of workmen into capitalists. It must be remembered that socialism was founded on the concept of a class struggle between the workers on the one hand and the capitalists on the other. But it is very difficult to make such a distinction today. Every one who spends less than he earns is a potential capitalist. His

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INSTALMENT BUYING

BY ALEX DUNBAR

THE question of instalment buying has passed the academic stage. Whatever may be said concerning its merits or demerits, the problem is current and constitutes a fact to be faced and reckoned with. Retail sales in the United States in 1925, according to an estimate by the Department of Commerce amounted to $37,000,000,000. Of this amount, conservative estimates approximate $5,000,000,000 as partial payment sales. In other words, about $1 worth of merchandise out of every $8 worth purchased during the year was purchased on the partial payment plan.

ALEX DUNBAR

Vice-president and cashier the Bank of Pittsburgh, N A., Pittsburgh, Pa.

The writer has examined in detail all that he could find relative to this subject written during the last two years, and opinions of those whose judgments are entitled to profound respect are as far apart as the poles.

The automobile industry is almost as a unit in favor of the idea. Many manufacturers in other lines which have adopted the practice, report successful experience with a minimum credit loss. Other manufacturers decline to indulge the idea on the ground that it is short-sighted policy and a false stimulant to business, which must finally be equalized by depression. Economists and credit associations are prone to look upon the idea askance. Nowhere is there unanimity of opinion.

The American bankers, in whose portfolios the bulk of this paper (in some form) must eventually rest, are scrutinizing the situation carefully. In banking circles there is a pronounced tendency to regard the indiscriminate pyramiding of this kind of credit as a situation charged with grave danger. Bankers feel that undue extension of this kind of credit is contributory to inflation. They call attention to the fact that this $5,000,000,000 of partial payment buying is a "first lien" against the $23,000,000,000 of savings deposits in the country, or almost one-quarter of the entire amount.

They direct attention to the fact that the purchasing power of the American people exceeds their current income by this $5,000,000,000 and that this situation cannot exist indefinitely. While they can see no immediate danger of a drastic situation, they point out that if the rapid increase in retail credit sales is maintained, it will encroach, to a dangerous degree, upon the total amount of savings carried by the American banks. That this would be an undesirable and uneconomic situation will be readily conceded.

The bankers are asking themselves:

1. Is the practice of buying on time payments proceeding along sound lines?

2. Is it a normal and healthy development?

3. Does it constitute an excessive mortgage upon the income of buyers?

4. Should the practice be encouraged or restrained?

NO DANGER AS LONG AS PROSPERITY CONTINUES

The bankers agree that so long as the buying power of America is sustained through general employment at high wages, the danger of forced liquidation of this volume of credit is not immediate. However, financial and economic experience shows that business travels in cycles and that peaks are followed by depressions.

The bankers are asking themselves whether or not, if depression comes, the forced liquidation of this volume of credit will inflict hardship upon those who buy and those who sell in this manner, resulting not only in financial but social disruption.

The bankers concur with the conservative opinion of industry that the present tendency in various instalment lines to reduce initial payments and to spread subsequent payments over longer and longer periods, in an effort to maintain volume of sales, will precipitate trouble by exhausting markets, with resultant unemployment and industrial depression.

Many manufacturing concerns are expanding their production facilities on the basis of abnormal sales volume, created under pressure of partial payments. Many of these industrial expansions themselves are financed by the issuance of long term obligations, which can be liquidated only from profits arising on the present basis of production and sales. Whether or not it is sound business to discount the future in this manner is questionable.

A substantial amount of the recent financing of many large American concerns has been by the sale of securities to the general public, on capitalized profits earned by partial payment sales. The intrinsic worth of these securities depends upon the maintenance of profitable markets, and, if these markets are forced too rapidly, through discount of future earning capacity, it is obvious that the position of these securities will be jeopardized when the showdown comes, through decline or exhaustion of buying power.

There can be no authoritative conclusions drawn from the present situation until it encounters the seas of a business depression. It is obviously unwise and certainly uneconomic for America to proceed to discount its future earning power for indefinite periods in advance. It is a delusion to conclude that true prosperity is based on consumption today of merchandise to be paid for from future and problematical earnings. Whether or not we are overloaded on this line of credit will be definitely established when, for any reason buying power substantially declines.

The fact must be faced that paying for a dead horse is repugnant to human nature. If America finds itself in a position where earning power is curtailed, commodities will then be bought for cash, to the detriment of the obligations incurred through partial payment commitments. That will be the testing time.

In the writer's judgment, the safety of the situation lies in the sagacity with which the credit is extended. Hope and optimism spring eternal in the human breast. It is desirable that they should. To what extent this hope and optimism about the future financial status is justified is a matter for individual assessment on the part of those who determine credit risks, and there can be no universal rule.

One of the major faults of this credit situation, as the writer sees it, is the inculcation in the mass mind, on the part of eager sellers, of the idea that credit is almost a divine right. The blatant way in which its use is urged lessens the respect in which it should be held. Credit is an asset which, to be valued properly, must be earned. To bestow it promiscuously will insidiously weaken the moral fiber of the nation, because "what is easily got is lightly treasured."

The burden of proof seems to be upon the *credit men* of America, to prove that the buyer is *not* entitled to credit. Most certainly the shoe should be on the other foot. It should always be the province of the buyer to establish his right.

I can see how retail merchants are being forced into a situation which presents the alternative either of extending large lines of credit or curtailing volume of business. Seldom now do we see the *price* of a commodity of considerable worth advertised. Advertisements teem with the statement or suggestion that the article can be bought on time. The refusal (on the part of retail merchants) to grant credit promiscuously not only curtails their volume and profits, but also tends to create ill will.

The fact that instalment buying paper may be rediscounted by merchants through finance companies, with or without recourse, does not lessen in any degree their responsibility to assay, with meticulous care, the individual right of the buyer to credit, measured by cold financial judgment.

The loose granting of credit at the point of sale, regardless of whether it results in temporary profit and volume, and regardless of whether or not there is recourse on the merchant, is a vital blow to sustained American prosperity.

Bankers, mark this well: If the credit structure of America is "overloaded" with paper representing merchandise either wholly consumed or consumed beyond the value of the equity, then there can be no question that we are headed for a precarious situation. And the control of the situation, in the writer's judgment, rests primarily in the hands of the bankers and retail sellers of America.

It is obvious—and no reasonable person will deny the contention—that there can be no standardization of credit. One family may be perfectly justified by its past reputation, earning power and assets, to buy everything it needs on the partial payment plan, while another family with the same earning power may be wholly unworthy of credit for the same commodities.

In the eagerness to create markets for immediate profits, and to absorb the extended productive capacity of America, the dignity and responsibility of credit has been cheapened. The writer deems it the particular business of merchants who sell direct to the public to eradicate this erroneous conception.

There can be no legitimate indictment for the extension of credit for the purchase of anything where the right to credit has been fairly earned by past performance, and is supported by a "balanced" family budget. The tragedy of the situation is in making debt easy for those who have neither the financial nor the moral right to go into debt.

FUTURE EARNINGS OVERESTIMATED

This question does not involve honesty to any appreciable extent. Business statistics, wherever one looks indicate clearly that the financial morality of America is exceedingly high. It is safe to assume, in this whole discussion, that the *will to pay* predominates. The nub of the situation hinges upon *judgment about the future.* Self confidence, the senior trait of America, should not be permitted to roam unbridled in anticipating future earning power, which always involves personal health and economic conditions beyond individual control. Men who are in the high places, observing the trend of conditions, who can survey the currents and cross currents of production and consumption, should be willing to stand firm on their judgment against the inexperienced judgment of the buyer who does not have the capacity or the opportunity to work behind the financial scenes. It is the high duty of bankers and merchants to American prosperity to confine the optimistic impetuosity of the buying public within reasonable and safe confines.

Experience has established that the buying of certain commodities through partial payments is highly desirable. It would be platitudinous for me to prove that the buying of a home through the first or second mortgage, is highly desirable. The purchase of machinery which will produce economies and pay for itself through earned profits, needs no champion. For many years, equipment purchases of the railroads, agricultural machinery purchases by farmers, and purchases of many other staple articles which pay for themselves, have justifiably been made on the partial payment plan.

The number and scope of articles to be included in the partial payment category require the nicest kind of judgment. There is no defense for this way of buying luxuries, unless supported by assets wholly independent of current income. It is pertinent to observe that the partial payment plan, in many department stores, is merely the crystallization into definite form of the long deferred open book account.

The growing tendency of partial payment buying is indicated by a survey of the Federal Reserve Bank of Boston, which showed that the volume of instalment sales in 1925 was double the volume of such sales in 1924. Cash sales and sales on charge accounts for the two periods were about the same, indicating that the instalment sales represented new business.

PRINCIPLES WHICH SHOULD GOVERN

As previously stated, the bulk of this time paper must be financed by the banks and the banks' attitude will, in the last analysis govern the situation. The writer has found no more concrete expression of what he thinks to be the summary of banking opinion as relates to the problem than that expressed by the Kiplinger Washington Agency, which thus tersely sums up the general principles which should govern instalment transactions:

(1) Instalment merchandizing should be limited to:

(a) Articles which add to the earning power of the purchaser, or to his permanent or semi-permanent assets.

(b) Articles which are necessary or very useful.

(c) Articles which involve a larger outlay than the average purchaser is able to make at one time.

(2) Down payments should be required in an amount:

(a) Sufficient to cover the difference between the first and second hand value of the article, plus the dealer's profit on the transaction.

(b) Sufficient to give the purchaser an incentive to continue his payments.

(3) Periodical payments:

(a) Should never outrun the life of the article.

(b) Should always exceed the depreciation in value of the article sold.

(4) Instalment transactions should be entered into only after a careful credit investigation has been made, and the combined instalment obligation which the buyer has to meet should not exceed 10 to 15 per cent. of his regular income.

The writer wishes also to emphatically endorse a statement issued by the United States Chamber of Commerce, in a recent bulletin, which says:

"Competition for business among credit companies in the form of larger percentages or easier terms granted to those from whom the instalment paper or accounts are purchased is recognized as a danger, and attempts are in process to bring this element under control."

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WHY THE BANKER IS MISUNDERSTOOD

By Fred W. Ellsworth

AFTER all, most folks have one-track minds. The average man knows his own job reasonably well, but he knows very little about the other fellow's job. This situation, which is universal, creates unlimited misapprehensions and misunderstandings.

When our telephone fails to function 100 per cent., we blindly blame the telephone company, and sometimes become vociferously indignant, and all the while there may be a perfectly good reason for the reduced "batting average," and perhaps it may be our own fault.

When the housewife purchases a spool of thread at a department store, asks to have it "sent," and it isn't delivered at her home five miles away within the next hour or two, she claims the store is inefficiently run.

And when we have to wait on the corner for a street car longer than two or three minutes, we mutter with much heat, "What rotten service," even though the delay—if there is any—may be caused by an automobile truck that has stalled on the track—a contingency over which the street car company, of course, has no control.

A KNOWLEDGE OF THE OTHER FELLOW'S BUSINESS WOULD HELP

If we all possessed a more intimate knowledge of the inside modus operandi of the telephone company, the department store, the public service corporation, and other business organizations with which we come in contact, we would be far more patient than we are when things go wrong, and less likely to display our ignorance by quick and unintelligent criticism.

Bankers come in for their share of this promiscuous and gratuitous "chiding." No doubt they deserve some of it, for they are but human, but most of the criticism is based on this same lack of knowledge that inspires people to howl about the service that the other fellow gives them. For instance, the banker is sometimes given credit for being hard boiled. But, after all, is he? And if he isn't, why isn't he?

THE BANKER'S PRODUCT IS DIFFERENT

In the first place, as a member of the business community, the banker occupies a position which is somewhat different from that of practically all other business men. The grocer, to illustrate, trades with whom he pleases, gives credit wherever he wants to, sells goods that are his own to sell, and is responsible for his profit and loss only to himself. The same is true of the dry goods merchant, the hardware man, the confectioner, the pharmacist and even the professional men like the physician, the dentist, the lawyer, and the teacher.

The banker, on the other hand, is engaged in "selling" a commodity which has been left with him in trust by his deposit customers, and he would indeed be a poor banker if he did not exercise the very maximum of care and discretion in properly exercising that trust. If he loaned money to everybody who asked for it, regardless of the ability to pay it back, his bank would very soon be in the hands of a receiver.

A business man, be his business great or small, who conducts it on a sound basis, keeps his financial position in good shape, employs adequate capital, and has personal character to back up his word, has no trouble obtaining money at the bank, and this type of business man never is heard accusing his banker of being hard boiled. This accusation almost invariably comes from individuals whose businesses are undercapitalized, or inefficiently operated and who, therefore, are not entitled to bank credit; and toward such people if the banker isn't hard boiled, he should be!

Fortunately most of those who seek bank credit are of the former class, but there are far too many "weak sisters," and these are they who carelessly and bitterly criticise the banker for conserving and protecting the funds of his depositors by declining to make injudicious and unsafe loans.

A TYPICAL TRANSACTION

Here is a sample transaction which is duplicated repeatedly in every bank in the country: A customer who has maintained an average balance of, say, $500, with an occasional overdraft, calls on the banker and applies for an unsecured loan of $5000. A statement of his affairs is asked for, and, after more or less trouble and delay, is obtained. An examination of the statement reveals the fact that because of limited capital, a surplus of past due bills receivable, an excess of fixed assets, with an overloaded line of bills payable, he is not entitled to the loan asked for. The banker tells him very frankly just why he should not have the loan, and suggests that he should get more capital into his business. The invariable response is: "But I thought that that was what a bank is for." And then the banker has to laboriously explain to the customer that a bank cannot and should not supply capital for its customers; that the bank's job is to supply current funds for temporary working capital; and that if the bank should supply a borrowing customer with capital funds, the bank in effect would be violating its trust by using its depositors' money for investment in a private business and thus taking all the unjustifiable risk that accompanies such an investment. This is a simple story that the banker has to repeat over and over again, because some bank customers do not understand the difference between current operating funds and capital funds. That's why one occasionally hears a disappointed applicant for a loan complaining that "the fellows in the Steenth National Bank are a bunch of 'hard-boiled eggs.' "

THE SERVICE CHARGE ON UNPROFITABLE ACCOUNTS

In recent years, bankers all over the country by analyzing their commercial accounts have discovered somewhat to their chagrin that an account with an average daily balance of less than $100 causes an actual loss to the bank rather than a profit. And so the banks in several hundred cities, because it obviously is unwise and unsafe to transact business at a loss, have decided to do the sensible thing by making a nominal charge for handling such unprofitable accounts. Naturally when this glad news reaches the depositors, their first impulse is to regard the new charge as a "hold up." and they make their protests accordingly. But when the banker has a chance to sit down quietly with his customer, and demonstrate to him that his account averaging under $100 is an actual loss of $1.12 a month, and that in charging the customer 50 cents, the bank is merely asking the customer to share the minor portion of this loss, the customer is compelled to agree that the charge is a fair one.

IT COSTS MONEY TO TRANSFER FUNDS

A customer brings in a $1000 check, drawn on a city 1000 miles distant, and when he is told that he must pay an exchange charge of $1 he becomes indignant. Of course he just doesn't know that the transfer of funds from one point to another cannot be expected without costing somebody something, and that if he does not pay this cost his bank or somebody else will have to. The average business man, engrossed in his own particular line, knows nothing about the "transit problem," and never gives it a thought except when required to pay exchange on an out-of-town check. To him a check is money and should be worth par, when as a matter of fact it is merely an order to pay and cannot possibly be converted into Uncle Sam's currency for from three to six or eight days, depending on the location of the city on which it is drawn. If he is a reasonable man he will accept the charge as a just one, when it is explained to him that by receiving immediate credit for the full amount he is actually receiving from the bank good money—although the bank will not receive the actual cash for, say, a week or more. If he is unreasonable, as some bank customers occasionally are, he probably will storm suggesting that the banker is a grasping plutocrat, plus several kinds of a "hard-boiled egg," and maybe he will change his account—only to find that the other bank, when a similar transaction arises, will have to make exactly the same charge.

THE BANKER'S LONG HOURS

The man in the street, even though he may have been a customer of a bank for years, has the notion that the banker has a perfect snap of a job—sleeps late in the morning, gets down to his desk a little while before noon, and leaves for the golf links shortly after lunch. I'll venture to say that ninety-nine people out of every hundred have this idea; for when one desires to express his opinion of an easy job, he says, "That fellow has bankers' hours." This is a sad sort of a joke to those who are on the inside of the counter, and who, therefore, know that the banker is at his desk practically every day from half-past eight or nine, until six or six-thirty, and that he has a much longer working day than men in almost any other kind of business, including the trades and day laborers.

BANKERS ARE NOT PLUTOCRATS

Another fairy tale bankers have to live down is that the average bank officer is a millionaire. Every time there is a "drive" for the Community Chest, or the Red Cross, or a town auditorium, or a gym for the Y. M. C. A., or any one of a hundred other good causes, the banker's name goes down on the list of "big donors." And when out of his relatively small stipend he makes a contribution considerably less than the committee had assigned to him, he is likely to be put down on the card as a tightwad.

BROADCAST THE FACTS

Now, what can be done to correct all these misapprehensions? Must the banks go along from year to year being misunderstood by their customers and their good friends, or shall they make some sort of an effort to acquaint them with the real facts? Of course it can't be done overnight, but it seems to the writer that the solution of the problem is education. No doubt one reason why customers are not as familiar with the economics of banking is because bankers themselves are not as well up in this subject as they might be. A third of a century ago if any one had suggested that a banker should be well educated in the science of banking and economics, the suggestion would have been met with a very prompt rebuff—especially by the banker.

Back in 1900 the American Bankers Association, conscious of a genuine lack of knowledge along these lines—particularly among the younger bankers—established an organization which is now known as the American Institute of Banking. This institute during the past quarter of a century has devoted itself exclusively to the concrete and consistent education of the banking fraternity; and it is safe to say that as a result of this program, those who are directing the executive and administrative details of banks today are infinitely better equipped than has ever before been the case in the history of the country.

There are today in the American Institute of Banking nearly 60,000 members, 35,000 of which are enrolled in the various financial courses which the institute provides, and are thus preparing themselves to become the intelligent, capable bankers of tomorrow.

With an army like this, grounded in the fundamentals of their business, able to discuss intelligently and convincingly its intricacies and technicalities, it is quite reasonable to expect that in the next generation most of the annoyances referred to will be things of the past.

THE PUBLIC EDUCATION COMMISSION

But the American Institute of Banking is not the only vehicle which the American banker is using for the purpose of educating himself and his customers for in the American Bankers Association there is also the Public Education Commission, which by means of a wonderfully well prepared series of lectures and practical talks is spreading the gospel of sound banking and elementary economics in grammar and high schools, colleges, business clubs, and kindred organizations from one end of the country to the other. In practically every state the local bankers' association is co-operating in this most worth-while undertaking. And this program, along with that of the American Institute of Banking, is bound to improve the undesirable conditions now existing.

And there is still another agency in the American Bankers Association known as the Public Relations Commission, which is furnishing reliable, intelligently compiled, and fundamentally sound editorial and news matter to several thousand newspapers from Maine to California. This material is prepared by well known university professors, successful business men, prominent bankers, acknowledged leaders in the field of economics, and it is put out with the sole purpose of telling the general public the honest-to-goodness, basic facts concerning the law of supply and demand, the problems of manufacture, of distribution, of consumption, the relation that exists between the banker and the business man, and the business man and his customer.

THE EDUCATIONAL ENDOWMENT

Now comes one more crowning achievement of this same American Bankers Association. As a fitting memorial to celebrate the Golden Anniversary of the association, there is to be established a $500,000 educational endowment for the purpose of providing education to young men and women in the principles of banking and economics in the various universities throughout the country. This fund is provided by private subscription from our banks and bankers, and probably will begin to function within the next twelve months.

A well-known banker some years ago stated, "We are a nation of economic illiterates"—a statement that when made was unquestionably true—but with the development in economic education now going on through the various agencies referred to as well as through well organized departments in most of the leading universities and colleges, and supplemented by regular editorial treatment in the better newspapers and magazines, this deplorable condition is gradually being overcome.

Practically all quarrels and misunderstandings occur either because the participants do not know the subject that they are quarreling about or do not know each other. If the ex-Kaiser (thank God for the "ex") had known his subject as well as he thought he did, there probably would have been no World War. In our own country, if the North had known the South and the South had known the North better than they did, they undoubtedly would have been able to settle their difficulties without spilling so much blood. If the coal operators in England would only get acquainted with the miners, and vice versa, and each would become familiar with the other fellow's viewpoint, they might be able to call off the strike tomorrow.

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THE VOTING RIGHTS OF STOCKHOLDERS: A RESUME OF A CURRENT CONTROVERSY

By Preston Lockwood

IT is probably safe to say that before Professor W. Z. Ripley of Harvard condemned the practice of concentrating corporate voting rights in a relatively small class of stock, in an address delivered October 28, 1925, to the American Academy of Political Science, the general public had an extremely vague understanding of the phrase "non-voting stock," as it is found on the face of a stock certificate. Furthermore, the undesirability from a social or economic point of view, of the issue and sale to the public of large amounts of stock without, or practically without, voting rights was a question which, before this address of Professor Ripley's seemingly had received little or no attention from such regulatory bodies as the Interstate Commerce Commission, in exercising its control over the financial operations of the country's railroads or the various state public service commissions, in supervising the issuance of the new securities of practically all the nation's public utility corporations; or the New York Stock Exchange, in the listing of more than $50,000,000,000 worth of corporate securities; or the various state legislatures, for amendments to their corporation laws had been usually in the direction of specifically authorizing corporations to issue stock with such voting power or restrictions or qualifications thereof as might be stated in their charters.

Professor Ripley published, under the title "More Power to the Bankers," in *The Nation*, December 2, 1925, his now famous address before the American Academy of Political Science. He also, in an article entitled "From Main Street to Wall Street," printed in *The Atlantic Monthly*, for January, 1926, elaborated the same subject with additional concrete illustrations drawn from current instances of corporate financing.

AFTERMATH OF RIPLEY'S DISCUSSION

The discussion, thus commenced, was immediately taken up by bankers, corporation executives, and the press as a whole, to the end that within two months: (1) The Interstate Commerce Commission—in denying the application of the Pittsburgh & West Virginia Railroad to issue non-voting preferred stock and in withholding its approval of the Nickel Plate Merger, involving 10,000 miles of railroad and nearly $1,000,000,000 worth of securities—declared that it was self-evidently inimical to the public interest to strip stockholders of their voting power. (2) It was authoritatively reported that President Coolidge and the Department of Justice were looking into the question to see if anything ought to, or could, be done by the Federal Government. (3) The Public Service Commissions of several states, in passing upon the issuance of securities by public service corporations, took a position similar to that of the Interstate Commerce Commission. (4) The New York Stock Exchange, in a statement issued by the board of governors, announced that, while it had made no positive and irrevocable rule against the listing of non-voting common stock, it intended to inquire into such issues when they applied for a listing and to refuse to open the facilities of its market to issues wherein an abuse of this practice seemed likely to occur, a position which the president of the exchange, E. H. H. Simmons, hastened to stress in a widely-quoted speech before the Mississippi Valley Group, Investment Bankers Associaton of America, and (5) several corporations (of the type and with the banking connections hitherto most given to raising money by the sale of non-voting stock) reorganized their capital structures, and, in the public announcements of their new securities called attention along with other "selling points" to the fact that all stock carried full voting rights.

A corporation, in legal language, is a "creature of positive law." Its rights, powers and duties are prescribed by law, and are contained in an instrument usually called its "charter" or its "certificate of incorporation." This instrument may be roughly described as a contract voluntarily entered into by the stockholders, to which contract the corporation itself, each stockholder, and the state in which the corporation is incorporated are parties. It is always construed in the light of and subject to any applicable general laws and it defines the relation of the state to the corporation, of the corporation to its stockholders, and of the stockholders to one another. So the issuance of any particular kind of stock, preferred or common, voting or non-voting, must be legal to be possible.

WHAT PROFESSOR RIPLEY CONTENDS

Professor Ripley, indeed, does not contend that the issuance of non-voting stock is illegal. He charges that it is a socially and economically undesirable practice, and, judging by the consideration already given his view, if he is right in this conviction, it is presumably only a matter of time before this conception of the public welfare finds expression in the public law. His arguments are, in brief, as follows:

The separation of ownership from responsibility and of financial risk from actual control, has been brought about (1) by the financing of corporations through the issue of non-voting stock, (2) by the development of holding companies, of voting trusts, of investment trusts, and trusts "set up for the living, the moribund and the dead," (3) by the wide distribution of stock among employes and the consumers of a corporation's product, resulting in such a large number of stockholders that control can be easily lodged in small minority holdings, and (4) by the intervention of life insurance companies as investment agents for their policyholders. This situation, in whatever way it has been accomplished, has resulted in a dangerous concentration of power in the hands of intermediaries, usually "so-called bankers" who stand to lose only the comparatively small amount of their stake and whose interests may well be different from the interests of the corporation, its stockholders, and the public. "It strikes," in his own words, "at the very taproot of our capitalistic system. For this system is founded upon the theory that the private, as distinct from the common, ownership of property best conduces to the public welfare, because such possession involves the giving of a gage or guarantee by the owner to his fellow-citizens for thrifty, efficient, far-sighted and public-spirited management thereof."

THE "VOICE OF THE STOCKHOLDER"

In answer to Professor Ripley, and those who believe as he does, it has been said:

(a) The control of modern corporations by the body of their stockholders is and always has been largely illusory. To paraphrase a famous remark, the Voice of the Stockholder may be the Voice of Corporate Wisdom, but there has never been any agreement as to what is the "Voice of the Stockholder" and what is "Corporate Wisdom." The ownership, for instance, of one-third of the

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CLASSIFYING "RESERVE," "SURPLUS," AND "FUND" IN THE GENERAL LEDGER

By Hugh Leach

THERE is probably no word in the whole sphere of accounting terminology that is used to convey a wider range of meaning or that is less understood by business men and the public generally than the word "reserve." The banker has always been interested in its meaning in connection with credit analyses of borrowers' statements but until recently it seldom appeared in the general ledger of financial institutions. In former years furniture and fixtures were charged to expense when purchased, bank buildings were never depreciated, taxes and interest were not entered on the books until payment was made, reserves for probable losses were not used, and reserves for contingencies were unknown. Bonds owned were frequently written up or down at the end of each accounting period to agree with market value and the corresponding credit or debit was made to undivided profits account. As a result of the Federal tax laws passed within recent years and the growth of accrual accounting several types of reserves are now found on the books and statements of banking institutions.

In order that this paper may be fairly comprehensive the subject will be treated from the standpoint of general accounting and some accounts will be discussed which are not applicable to banks. For the purpose of making a preliminary distinction between the terms a "fund" may be defined briefly as a collection of assets brought together for a definite purpose; "surplus" represents the excess of assets properly valued over liabilities and capital stock; "reserve" indicates something held back. As used here "surplus" is equivalent to the combined balances of the surplus, undivided profits, and profit and loss accounts. It would not be practicable to distinguish between these three accounts for their use varies widely and is strictly a matter of taste or custom. It is sufficient to say that commercial concerns usually close income and expense accounts into a current profit and loss account, the balance of which is transferred to surplus, and make no use

Hugh Leach

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of an undivided profits account. On the other hand it is customary for banks to close the balances of income and expense accounts into undivided profits account and make no change in surplus account as a result of operations except when round amounts are transferred from undivided profits in accordance with resolutions of boards of directors.

THREE CLASSES OF RESERVES

There are three general classes of reserves, each of which is fundamentally different from the others. In the first group may be placed all reserves that represent shrinkages in asset values. These are really suspended credits to asset accounts and are sometimes referred to as "evaluation reserves." Examples are: reserve for depreciation, reserve for bad debts, reserve for depletion, reserve for probable losses, and reserve for depreciation in market value of securities. The advantage in setting up a reserve for depreciation on fixed assets such as buildings, machinery, furniture and fixtures, and automobiles over crediting the estimated depreciation to the asset accounts at the end of each year is that the balances of the asset accounts will at all times represent the accumulated costs of such items of asset value as are still on hand and the balances of the reserve for depreciation accounts will represent accumulated depreciation on the same assets. This information is necessary if annual depreciation is to be computed as a percentage of the cost of the asset based on its useful life. If a business is operated on a conservative basis a reserve for bad debts is usually advisable for, after all accounts known to be worthless are charged off, experience has shown that a part of the remaining receivables which are uncollected at the end of the year will subsequently be lost. These accounts cannot be charged off at the end of the year for their identity will not be known. However, the same net result as far as statements of operation and balance sheets are concerned can be secured by setting up a reserve for bad debts, the amount of which should be based on past experience. Reserves for depletion are used by mining and quarrying enterprises to measure the decrease in value of ore deposits as a result of operation. If securities held as an investment and carried at cost depreciate in value profit and loss or undivided profits are sometimes charged and an account called "reserve for depreciation in market value of securities" is credited for the amount of the shrinkage. This procedure is preferable to writing the asset account down to market value for the reason that there is usually no allowable deduction from taxable income until a loss has been incurred as the result of a sale or until the securities have become worthless. Since all of these reserves represent shrinkages in the value of particular asset accounts they should be shown in the balance sheet as deductions from the cost of the various assets. Such reserves indicate conservative business policies.

The second group of reserves represents liabilities, usually of a current nature, the exact amounts of which are not known. Examples are: reserve for taxes and reserve for interest. These reserves are nothing more or less than estimated liabilities and should be shown in the balance sheet under the caption of liabilities. If the exact amounts were known such items would be shown in the books and statements as taxes accrued and interest accrued or taxes payable and interest payable depending upon whether or not they have become due.

In the third class are found such items as reserve for new building, reserve for extension of plant, reserve for accidents, reserve for contingencies, etc., all of which represent appropriated surplus and should be so shown in the balance sheet. These accounts are usually set up as a result of resolutions of boards of directors and are credited periodically with a portion of profits. The only object of such accounts is to limit the distribution of profits as dividends. These accounts register the intent of the directors to hold back or reserve certain amounts out of profits and the directors can at any time have the balances of the accounts trans-

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WHAT AMERICAN BANKERS WILL SEE IN LOS ANGELES

By Frank C. Mortimer

WHEN the bankers of the nation turn their faces west this fall prepared to attend the fifty-second annual convention of the American Bankers Association, which takes place in Los Angeles, October 4 to 7, they will be confronted with a rare opportunity to see the basic reasons for American prosperity. Lying between their homes and the great city of the Pacific Coast where they will assemble for conference is the great backbone of the United States. The manufacturing centers, the rolling prairies, corn fields, timber lands, and the rugged mountains meet the eye and make pleasant the continental journey.

On the other side of the great continental divide begin to appear some of the secrets of Los Angeles' greatness—miles of orange, olive, and avacodo groves, alfalfa, walnuts, figs, hydro-electric plants, and oil derricks by the hundreds. Varied colored bungalows

No, this is not Forty-second street and Fifth avenue, New York. It's a noon-day scene at Seventh and Broadway, Los Angeles, in mid-winter.

One of the splendid golf courses—with hazards—near Los Angeles, which will be available for the delight of the delegates to the A. B. A. convention.

From north to south, and from east to west, California is covered with a network of fine roads.

begin to dot the landscape, then the beautiful suburbs, and the train is in Los Angeles.

Los Angeles has developed into a metropolis in the last twenty years. Prior to that time it was just a nice place to live. Today conservative estimates place its population at 1,200,000. From a nice place to live it has developed into a throbbing metropolis with imposing structures, busy streets, and humming industry. Several downtown corners compare with the busiest in the world. Great department stores care for every need. Adequate rail facilities cover the city and suburbs, making it easy to travel to any destination.

Of great interest to the bankers are the financial institutions, headed by capable executives, and housed in magnificent structures. For Los Angeles is a financial and investment center of importance. Its bank deposits of over $1,000,000,000 make a great reservoir of capital. The per capita wealth is exceedingly high, and much wealth is brought to the city annually.

Perhaps the most important single factor contributing to the prosperity of the city is the petroleum industry. The first well, drilled forty years ago, is still producing. New fields have been uncovered from time to time, but the greatest finds have been made during the last five years. A few years ago the Signal Hill district, Sante Fe Springs, and others were idle fields, or orange groves. Now their production is so great that more oil is shipped from Los Angeles harbor than from any other port in the world. Great refining plants have been built, pipe lines have been laid, and thousands of men are employed in this great industry.

Of more spectacular interest to the visitor will be the motion picture industry, located within the city limits of Los Angeles, and the value of whose output is estimated at over $150,000,000 per year. On a visit to the studios one can see an African jungle and Fifth Avenue side by side, and can get an idea of how many people and how much time and thought must go into the making of each scene.

On the way back from "the land of make believe," the visitor will notice that Los Angeles is a city of homes. There is no tenement problem, no overcrowding like that which has worried the older cities. The factory worker has a bungalow and yard, and every clerk has his breathing space.

The pleasant climate, the variety of recreational opportunities offered, all go to make life in Los Angeles as nearly perfect as possible. The pleasures of the ocean, the mountains, and the desert are all within a few hours of the city proper.

The nearby cities will also prove interesting—Pasadena with her mansions, broad, shaded streets and great hotels; Glendale, whose population has jumped from 20,000 to 65,000 in five years; and Ocean Park and Venice, the great amusement cities. A wonderful view of the Pacific sunsets can be had from the balcony of any of the beach clubs, whose buildings match those at Atlantic City.

Finally just before leaving, the visitor should look over the busy Los Angeles harbor, entirely made by men, then try to visualize the great trade opportunities with the Orient. These are a few of the things which make the citizens of Los Angeles so enthusiastic over the community in which they live.

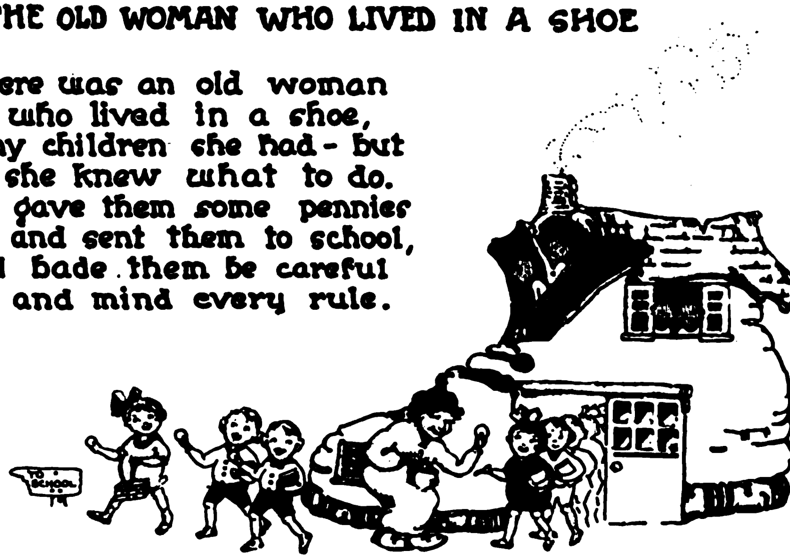
BANKS BUY FOREIGN BONDS

One of the factors responsible for the present marked strength in foreign bonds, according to *The New York Times*, is the fact that country banks in many parts of the United States have taken to buying these securities in considerable amounts. Formerly the distributor of foreign bonds had to depend on the individual for his market.

Pursery Rhymes

THE OLD WOMAN WHO LIVED IN A SHOE

There was an old woman
who lived in a shoe,
Many children she had - but
she knew what to do.
She gave them some pennies
and sent them to school,
And bade them be careful
and mind every rule.



It was School Savings Day, and
they bought penny stamps
In spite of beau Brummels
and frisky young vamps
Who tried to induce them to
spend all they had
For the things which attract
every lassie and lad.

Thus prosperity's seed in
their youth they did sow,
And their pennies to dollars
and hundreds did grow;
Till they finally grew to big
business expansion,
Now the little old woman,
she lives in a mansion.

A page from the twenty-four page booklet of "Mother Goose Pursery Rhymes," recently published by the Bank of Italy, San Francisco, Calif. Helen M. Knight, director of the women's banking department of the Bank of Italy, wrote the rhymes.

LONDON BANKING LANDMARKS

By Leonard J. Reid

THE banks of London, to the average citizen and visitor, are merely examples of recent architecture, in which the prosaic business of banking is conducted. It is true that many of the great banks have recently rebuilt their head offices and also many of their branch offices, and that banking is commonly supposed to be a matter of dreary routine. But in these banks of London there is a continuity and a romance which, to the casual beholder of today, is hardly credible.

For instance, the "Little London Directory" of 1677 contains the names of thirty-seven goldsmiths who "kept running cashes," that is, acted as bankers. Of these thirty-seven several have successors among the present-day bankers of London. Their number includes the banking house of Child, of No. 1, Fleet street. Indeed Child's is described not only as the oldest bank in London, but also as the oldest place of business in London.

In 1559 a certain Wheeler was a goldsmith in Cheapside. His son, John Wheeler, moved thence to a house in Fleet street. John Wheeler's grandson, William Wheeler, took an old tavern of lively reputation, which used to flaunt the sign of "Ye Marygold," by Temple Bar, and opened it as one of the "new-fashioned goldsmiths who keep running cashes." This sign of the Marygold has remained the sign of the banking house throughout the centuries.

THE FATHER OF THE BANKING PROFESSION IN ENGLAND

It was not long before romance arrived in the shape of a Wiltshire lad, the son of a clothier, called Francis Child. Being a good apprentice, he married the daughter of William Wheeler II; at length he succeeded to the entire Wheeler fortune, and became Lord Mayor of London. Thus he began the reign of Child.

This lad from Wiltshire was destined to make banking history. At first banking was allied with the business of the goldsmith and of the pawnbroker. It fell to Francis Child to be the first banker

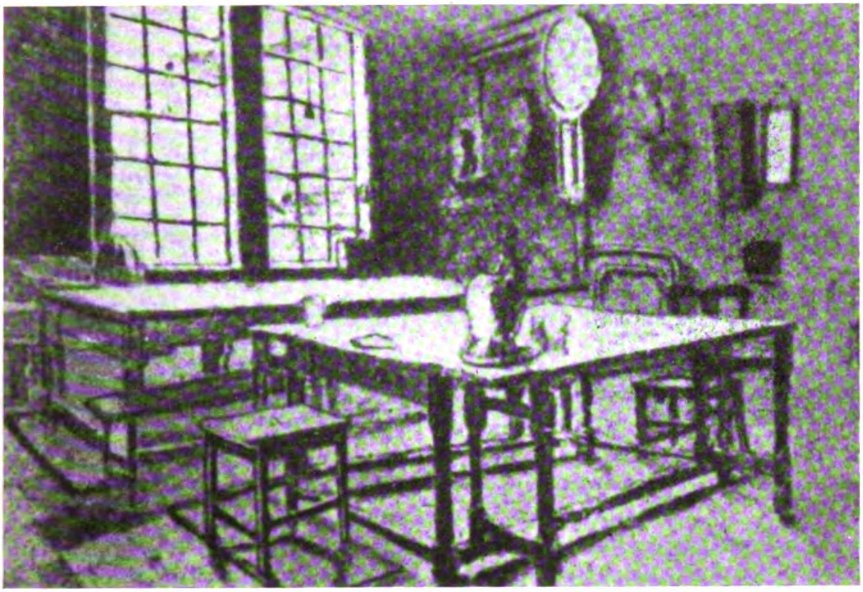
"The Old Lady of Threadneedle Street," as drawn by Tenniel. Reproduced, by permission, from *Punch.*

who was banker only, "the father of the profession." Until 1690 his ledgers, still in existence, are full of goldsmiths' and pawnbroking accounts. Thereafter they are such as the present-day banker keeps. In those days no interest was allowed on deposits or charged on loans; and clients had their check books free of charge.

Nor was the house of Child content with being the first banker. In 1729 it introduced a printed form of promissory note, with a cut of Temple Bar in the top left-hand corner, which appears to this day on Child's checks. Thus came into being the first bank note. The first printed check is seen in 1762, and it bears the name of Child. To the same house, it is said, belongs the credit of introducing, well over a century ago, the pass book, then called a "passage-book."

The roll of customers of "Ye Marygold" contains historic names. Prominent among them are Oliver Cromwell's and Nell Gwynn's. The orange girl of Old Drury could scrawl only an untidy

Child's banking house, London, (the first bank in England) in 1855, from a drawing by Findley. Temple Bar is shown at the right. The room over the arch was once in possession of the bank.



The picturesque old kitchen in Child's Bank, London, which is now a branch of Glyn, Mills and Company.

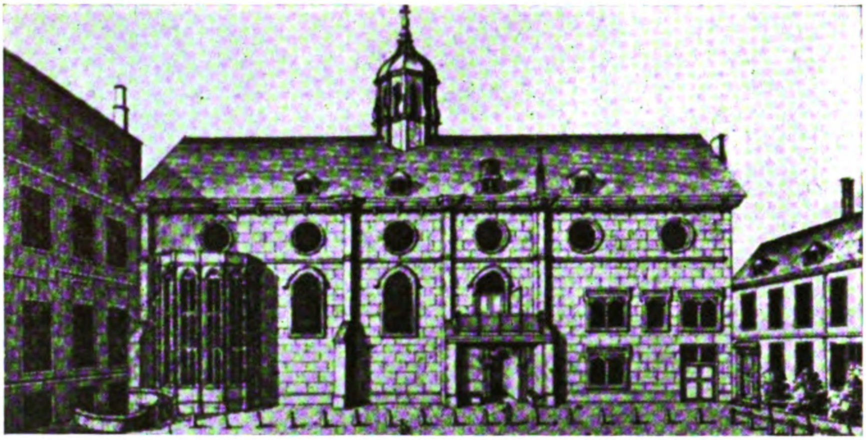
"E. G.," for she was no scholar. She died owing the bank nearly £7000. As for the old bank itself, Dickens describes it—perhaps with only slight exaggeration—in "The Tale of Two Cities," where he records that "Tellson's Bank by Temple Bar was an old-fashioned place, even in the year one thousand seven hundred and eighty;" in short, "it was the triumphant perfection of inconvenience." The bank as it appeared in 1855 may be seen from Findley's drawing on page 28.

A living link with these times is supplied by the old customs which Child's still preserves. Junior clerks take it in turns to be "on duty," "keeping officership" as it is called, and one partner and four clerks sleep at the bank every night.

BANK OF ENGLAND ORIGINALLY "A LAME EXPEDIENT"

Barely had Francis Child become a banker proper, when a great and jealous rival entered the lists. It was the Bank of England. But in those days it gave small promise of its present pre-eminence, both financial and architectural. As a "lame expedient," to quote the words of Paterson, who first proposed it, the bank received its charter on July 27, 1694. The first meetings of the directors and subscribers were held at Mercers' Hall. At one, held on September 28, 1694, it was resolved to begin operations at Grocers' Hall, in the Poultry, which may be seen from the print on page 30. The reason for the choice of Grocers' Hall, it is believed, was that the bank's first governor, Sir John Houblon, was a member of the Grocers' Company, whose finances were in a bad way. The bank opened for business on January 1, 1695, having only fifty-four clerks.

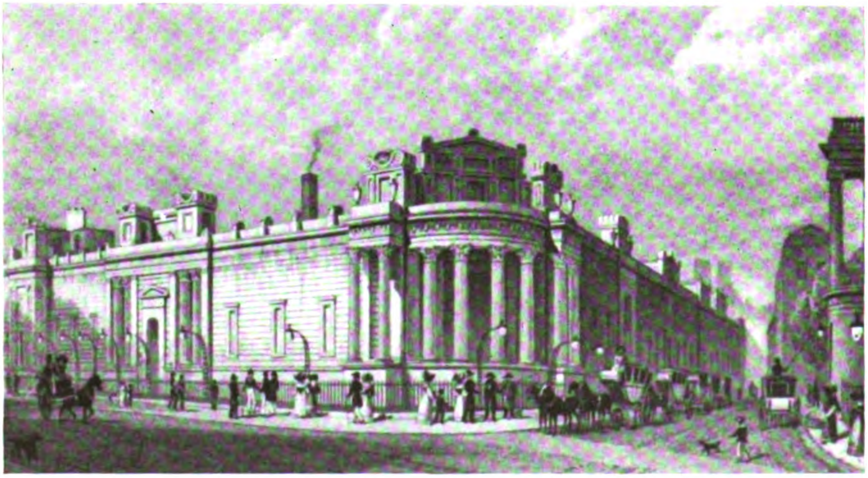
These early years were exceedingly troubled ones, and it was not until 1732 that it was decided to build a hall and office in Threadneedle street. The site chosen was that occupied by the house and garden of Sir John Houblon. It was situated east of the Church of St. Christopher-le-Stocks, so called, it is said, from the stocks market for fish and flesh, which stood on the site of the Mansion House. The new building



The grocers' hall, London, where the business of the Bank of England was carried on until 1734. From an engraving of 1696.

opened for business on June 5, 1734. It was then hardly visible from Threadneedle street, being approached by an arched court. A writer in the *Gentleman's Magazine* says that "it was comparatively a small structure, almost invisible to passers-by, being surrounded by many others."

The bank's world-famous nickname, "The Old Lady of Threadneedle Street," was coined during these earlier years. But why "Old Lady?" According to the later authorities, in 1695 there appeared, as there appears still, a medallion on the bank's notes. It consists of a seated draped figure with the head uncovered, holding a sprig in one hand and a spear in the other; and throughout more than two centuries it has remained substantially the same. "In this medallion," says the bank's magazine, "if only by reason of the extraordinary persistence of the essential details, we have a perfectly reasonable explanation of the



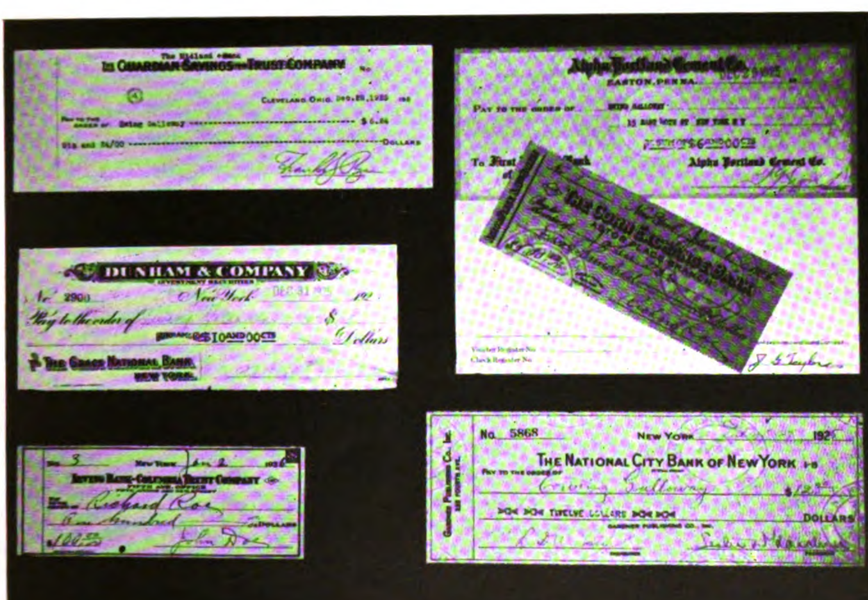
The north and west front of the Bank of England, London, as seen from Lothbury, from an engraving published in 1828.

origin of the phrase 'The Old Lady of Threadneedle Street.'" Tenniel's well known drawing of the "Old Lady" is reproduced on page 27.

Among the "Old Lady's" most famous characters was Abraham Newland. The son of a baker, he entered the bank's service in 1748, being then 18, and became chief cashier in 1782. Until he retired from this office in 1807 he never slept out of the bank. He was more than economical. Each day his domestic expenditure was entered in books of account, as if it had been the bank's most momentous transaction. Shortly before his death, in the year of his retirement, he wrote his epitaph thus:

"Beneath this stone old Abraham lies:
"Nobody laughs, and nobody cries,
"Where he is gone, and how he fares,
"No one knows and no one cares."

Hard by the Bank of England is Lombard street—world-famous as *the* street of English banking. Indeed, it has been well said that it might be Esperanto for wealth. A typical Lombard Street banker of the old school was Mr. Fuller, an early partner in the bank of Fuller, Banbury & Co., of No. 77. Like many of his fellow bankers of the last century, he was rarely absent from his desk, and always slept over the bank. A careful man, he always had his washing done at home. One day every week, at noon, a pint of beer was brought in and placed at the foot of the stairs for the washerwoman. But once this pint became a pot, and caused quite a sensation in Lombard Street. It so alarmed one old customer that he called upon Fuller, explaining that, though hitherto he had had great satisfaction in keeping his account with him, he now hardly considered him fit to take charge of other people's money as he did not know how to take care of his own.



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A visible argument for uniformity of check sizes. With all these check sizes in common circulation, speed in stacking, listing on the adding machine, and running through endorsement machines is retarded. The lack of uniformity in the placing of dates, figures, etc, also slows up the work. Work within the banks could be noticeably speeded up, and printing bills alone could be reduced $10,000,000 if checks were standardized down to only two sizes, as suggested by the Clearing House Section of the American Bankers Association. The total saving possible is estimated at around $25,000,000.

BANKING AND COMMERCIAL LAW

Depositing Overdraft Checks in Drawee Bank, Gruber v. Bank of America, City Court of New York, 215 N. Y. Supp. 222.

THE plaintiffs, holding checks drawn upon the defendant bank, requested the bank to certify them. They were told that certification was unnecessary because the drawer had sufficient funds on deposit to pay the checks and they thereupon deposited them to their credit. The bank subsequently revoked the credit given to the plaintiffs and charged the checks back against their account. It was held that, while the bank's statement that the checks were good did not amount to a certification, the bank was nevertheless liable on the ground that it, upon giving the plaintiffs credit for the checks, at once became the plaintiffs' debtor for the amount. The case having been tried on the theory that it was necessary for the plaintiffs to show a valid certification, the dismissal of the complaint was therefore set aside and a new trial granted.

Action by Samuel Gruber and another against the Bank of America. On plaintiffs' motion to set aside dismissal of complaint at close of case. Motion granted, and new trial ordered.

OPINION

WENDEL, J. — This action was brought to recover from defendant bank the amount of certain checks deposited with it by plaintiffs. The checks were drawn by one Posternick to the order of the plaintiffs. They were drawn on defendant bank, in which both plaintiffs and Posternick were depositors. Plaintiffs deposited same with defendant and received credit therefor by due entry of the deposit in their passbook. The complaint alleges, and the evidence established, that at the time or immediately prior to the time of the deposit plaintiffs requested defendant to certify the checks, to which request the defendant stated that certification was unnecessary, in view of the fact that the drawer had sufficient funds on deposit to cover the checks in question, and that plaintiffs, relying upon said representation, thereupon deposited the checks. The bank subsequently revoked the credit given to plaintiffs and charged the amount of the checks against plaintiffs' account. The case was tried on the theory that the representation of the defendant to plaintiffs that the checks were good was tantamount to a certification and acceptance thereof.

Under the Negotiable Instruments Law, a check is defined as a bill of exchange drawn on a bank payable on demand (section 321) and operates only as an assignment of the fund to the credit of the drawer with the bank when it is accepted and certified by the bank (section 325), which acceptance must be in writing and signed by the drawee (section 220). No such acceptance having been shown, the court, at the conclusion of the case, dismissed the complaint. Plaintiff now moves to set aside the dismissal upon the ground that, even conceding the oral representation of defendant that the checks were good was insufficient to constitute a certification and acceptance, nevertheless, under the authorities, the act of the bank in receiving the checks for deposit and crediting the amount thereof to plaintiffs' account had the legal effect of irrevocably making the bank the debtor of plaintiff to the amount of such credit.

Concededly the payee of a check, which has not been accepted by the bank upon which it is drawn, cannot maintain an action against the bank, even though the maker has on deposit sufficient funds to pay it. Hentz v. National City Bank of New York, 144 N. Y. S. 979, 159 App. Div. 743, 745; Lipten v. Columbia Trust Co., 185 N. Y. S. 198, 194 App. Div. 384, 392. The right of action is vested in the drawer or creditor, and not in the holder, who is merely a stranger. O'Connor v. Mechanics' Bank, 26 N. E. 816, 124 N. Y. 324. But where, as here, the bank accepted the checks for deposit, its rights, duties and liabilities are governed by its obligations to its customers, and the rule of liability so far as strangers are concerned is not applicable.

The relation between a bank and its customer is that of debtor and creditor. The deposit made by a customer is in legal effect a loan. The rule is unquestioned that, upon a deposit being made by a customer of a bank in the ordinary course of business of money, or drafts or checks received and credited as money, the title to the money, or to the drafts or checks, is immediately vested in and becomes the property of the bank. The bank acquires title on its implied promise to pay an equivalent consideration when called upon by its depositor. Cragie v. Hadley, 1 N. E. 537, 99 N. Y. 131; Met. Nat. Bank v. Loyd, 90 N. Y. 530.

Where commercial paper is deposited with the bank, it may indicate its intention not to assume the relation of debtor and creditor by crediting it as paper, while similarly the depositor, if he desires to retain the ownership, may do so by proper indorsement or otherwise indicating such intention. So likewise by special contract, or course of dealing or usage, may the parties show that the relationship of debtor and creditor is not established until collection has been consummated.

Where the check presented for deposit is drawn on the depository bank, and such bank receives the same, crediting its customer with the amount thereof, it has been held that by such act title to the check passes to the bank, and the bank becomes at once the debtor of the depositor; that when a check is so presented for deposit it is the same as though payment in any other form was demanded; that the bank thereupon has the right to reject it, to refuse to pay it, or to receive it conditionally, but when it accepts the same, either by delivering the currency or giving the depositor credit for it, the transaction is closed between the bank and its depositor, provided the paper is genuine; that the giving of credit is practically and legally the same as paying the money to the depositor and receiving the cash again on deposit. Oddie v. National City Bank, 45 N. Y. 735, 6 Am. Rep. 160; Consolidated Nat. Bank of New York v. First Nat. Bank of Middletown, 114 N. Y. S. 308, 129 App. Div. 538; Downey v. Nat. Exchange Bank, 96 N. E. 403, 52 Ind. App. 672; Levy v. Bank of United States (Pa.) 4 Dall. 234, 1 L. Ed. 814; First Nat. Bank v. Mammoth Blue Gem Coal Co., 240 S. W. 78, 194 Ky. 580; Bolton v. Richard, 6 Term R. 139.

It follows that the dismissal must be set aside, but in view of the theory on which the case was tried I deem it advisable that a new trial snould be had, in order that the question of whether the deposits in question were received conditionally or unconditionally may be properly presented. Submit order accordingly on notice.

RIGHT TO PROCEEDS OF DRAFT DEPOSITED IN BANK

Dubuque Fruit Co. v. C. C. Emerson & Co. (American National Bank of St. Paul, Intervener) Supreme Court of Iowa, 206 N. W. Rep. 672.

Where a check or draft is drawn to the order of a bank or is indorsed to the bank without restriction and deposited in the bank and the amount is credited to the depositor's checking account, the bank becomes the owner of the draft and its proceeds. The proceeds cannot be garnished at the instance of one of the depositor's creditors.

The defendant, Emerson & Co., sold and shipped a carload of potatoes, drew a draft for the amount upon the consignee to the order of the American National Bank of St. Paul and deposited it in that bank. The amount was immediately credited to the defendant's checking amount and was drawn against by the defendant. After the draft was collected and while the proceeds were in the hands of a correspondent bank, they were garnished by the plaintiff in an action against the defendant to recover a claimed indebtedness. It was held under the rule stated that the fund belonged to the American National Bank and that the plaintiff had no rights therein.

The opinion states the facts. Judgment for intervener, from which the plaintiff appeals. Affirmed.

OPINION

DE GRAFF, C. J.—This appeal presents a contest between plaintiff and the intervener over a fund under garnishment by virtue of a writ caused to be issued by plaintiff to secure a claimed indebtedness owing to plaintiff by the defendant, a non-resident, who is not interested in the outcome of the issue involved herein.

Upon the conclusion of the evidence the trial çourt sustained the intervener's motion for judgment on the primary ground that the testimony of the intervener as to its title and ownership of the fund in suit was without conflict, and consequently no fact question existed for submission to the jury. The applicable legal principle in cases of this character is well recognized. It is the fact side that provokes the difficulty.

The controversy and its origin may be briefly stated in this wise: On March 9, 1922, the defendant Emerson & Co., of St. Paul, sold to Hanson & Son, of Dubuque, and shipped via Chicago Great Western Railway, a carload of potatoes, for which a bill of lading was issued. The defendant drew a draft on the consignee, Hanson & Son, payable to the order of the intervener, American National Bank, of St. Paul. This draft, with the bill of lading attached, was deposited by the defendant in the ordinary and customary manner of making deposits with the intervener bank, and full credit was given to the checking account of the defendant, who was a long time depositor in said bank.

The intervener immediately sent the draft with bill of lading to the First National Bank of Dubuque for collection. The drawee of said draft paid to the Dubuque bank the amount necessary to effect a settlement thereof, but before the proceeds were remitted to the intervener the fund was garnished by the plaintiff herein.

I. To whom did the mony belong at the time of the service of the writ of garnishment? This is the pertinent question. Prima facie the passing to the credit of a depositor of a draft drawn in favor of a bank, not indicating that it was deposited merely for collection, transfers the title to the bank. National Bank of Webb City v. J. H. Everett & Son, 136 Ga. 372, 71 S. E. 660.

It may be observed that the law governing a holder in due course is not here involved. See Trevisol v. Fresno Fruit Growers' Co. et al., 195 Iowa, 1377, 192 N. W. 517. Nor does the fact that the bill of lading was attached to the draft, alleged to have been purchased by the intervener, affect the decision in the instant case. We take judicial notice of the custom of attaching bills of lading to drafts. The intervener was not purchasing potatoes, and, if it purchased anything, it was the draft. The bill of lading was attached as a matter of convenience in the transaction, and in order that the

[Continued on page 85]

FOREIGN TRADE HELPS BY BANKS

MORE careful selection in some cases of foreign correspondents, more complete reports of reasons for dishonored drafts, and accepting shipments of goods for delivery to the customer on payment are some of the ways in which banks could aid in developing foreign trade, said Ernest W. Hance, credit manager of the Carr Fastener Company of Cambridge, Mass., in his address "What Banks Do Not Do," before the recent New England Foreign Trade Conference at Boston. "I do not wish to criticize the banks on their activities except in a constructive way," said Mr. Hance, "but there are a few points in regard to things which they do not do, that it might be well to point out. They of course do not guarantee collection of drafts. This is not to be expected. No transaction involving foreign credit can be handled on this basis except by an irrevocable letter of credit. Many of our large banks maintain branches in the prominent cities of the world. In such cases collection items are handled entirely by the one bank which, of course, is responsible for the whole transaction. In most cases, however, the domestic bank has entered into an agreement with some foreign bank which acts as its agent in the collection of drafts, securing of credit information, etc. Many times, especially in the smaller cities and out-of-the-way countries, these banks are run by natives of the countries and are known as native banks. They sometimes take action which to us, without standards, seems unwarrantable. For instance, they may allow documents to be delivered to a customer without payment of the accompanying sight draft. In that case, if the customer does not pay, the exporter can obtain very little satisfaction. His own bank simply says that it cannot be responsible for the acts of these foreign and, especially, native banks. They say they exercise the utmost care in selecting foreign correspondents and appoint only those which they believe will act in good faith and for the best interests of all concerned. This chance of the bank on the other side taking some unwarranted action or failing to do something which should have been done, seems to be one of the risks which must be assumed by the exporter.

MORE COMPLETE REPORTS ON DISHONORED DRAFTS

"It has been my observation that our domestic banks wait for their correspondents to advise them if the drafts are not accepted or paid, or if there is any other unusual occurrence. This report is passed on to the shipper and instructions are requested if they appear to be necessary. Such reports are usually very meager, consisting of a few words stating, perhaps, that the consignee has not paid, but has promised to do so in a few days, or that in spite of repeated promises the draft is still unpaid. If the foreign banks would go into more detail as to why the draft is not taken up and the reason given by the consignee, it would be a distinct advantage to the merchant who sold the goods and is at a loss to know why his customer has not paid for them.

"Another thing which the banks do not do as a usual thing is to allow shipments to be consigned to them, to be delivered to the customer upon payment or acceptance of the corresponding draft. Some foreign banks are willing to do this, but generally they object to it on the ground that they are not equipped for it, as they have no facilities for the storage of such shipments. If some arrangement could be made, however, whereby foreign banks would accept merchandise consigned to them for later delivery to the purchaser upon completion of the transaction, it would afford a service which shippers in this country would be very glad to avail themselves of in a great many cases.

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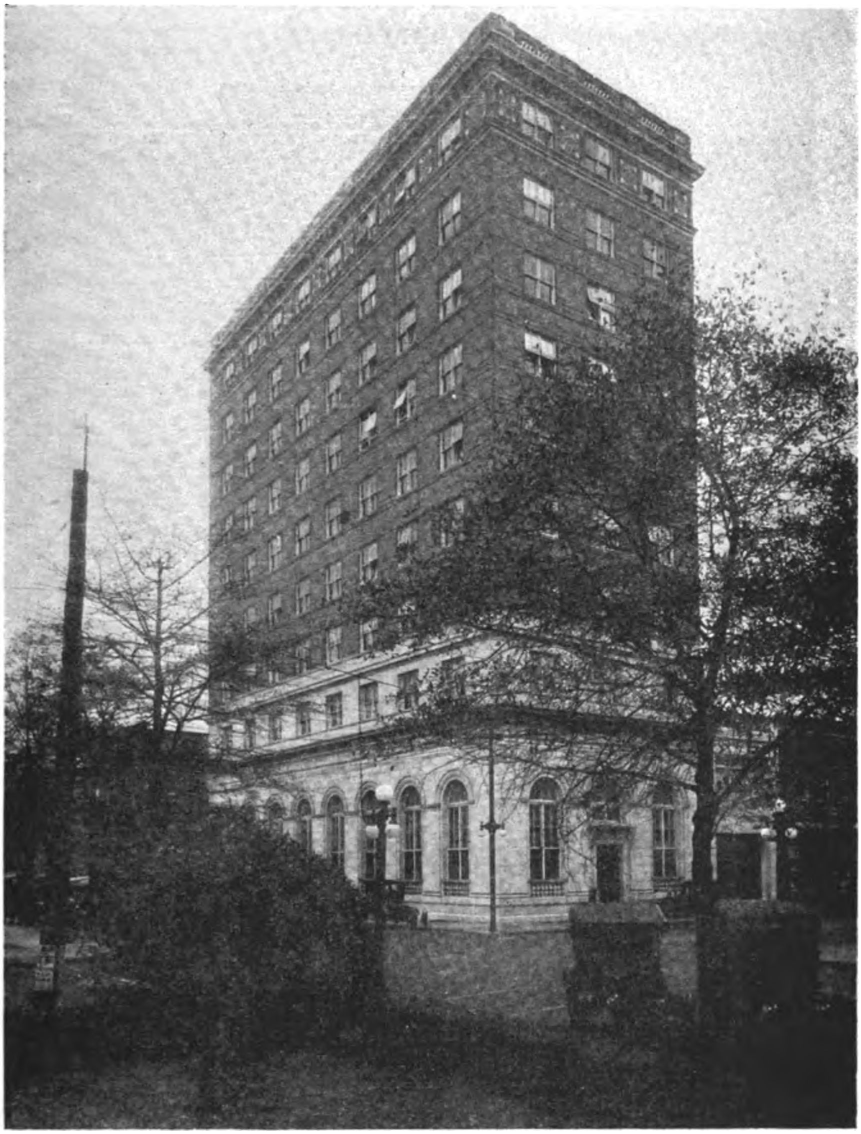


Wayne National Bank, Goldsboro, N. C.

THE ten-story bank and office building recently completed for the Wayne National Bank, Goldsboro, N. C., provides the banking facilities now so desirable in that rapidly growing cotton center.

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

WHERE DOES THE BANK ADVERTISING MANAGER FIT?

By A Bank Advertising Man

SEVERAL times recently the writer has heard the expression, "Where do you fit?" After the third or fourth time the idea began to percolate and he found himself asking, "Well, where *do* I fit?"

Now there are several angles to every subject, but the writer is going to follow this one up from his side. He's a bank advertising manager; not a banker, but an advertiser of a bank. There is a difference which will be at once apparent to most advertising men and to sellers of bank advertising. Many banks have, for their advertising managers, men who have grown up in the ranks, and to whom the job of advertising the bank has been given. Other banks have gone outside the family circle and secured the services of a man whose business has been advertising.

The first is primarily a banker and unless something unforeseen happens he retains the banker's viewpoint. The second is primarily an advertising man, and while he uses the bank's viewpoint in so far as policy demands, he tries to look in from the outside; to see what the people want from a bank, and to sell them those services of his bank which will fit their needs and desires. Whether he be primarily a banker or an advertising man is not the topic of discussion, but, being the advertising manager of a bank, just "Where does he fit?"

Assume that the man referred to is responsible for the bank's advertising. His department may be called any number of things such as new business department, business service department, or merely advertising department, but whatever it may be called, he is responsible for the advertising.

Responsible to whom? As old Bill Shakespeare said, "There's the rub." In many of the larger institutions he is responsible to a committee, appointed by the board. This committee is in turn responsible to the board and stockholders. But in the average bank, where a full time advertising manager is employed, he is responsible to anyone with the title of assistant cashier and upwards. Where he has from five to ten officers to satisfy, and to consult and sell before his efforts can be realized or discarded, he finds himself tied and must work under a great handicap. It is extremely difficult to find five men who think alike on any one subject, and the writer beleves it is impossible to find five bankers who do, unless perhaps the senior officer gives his views first. Then, all too often, the rest fall in line.

ADVERTISING MANAGER OFTEN ONLY A BUFFER

All too often the man in the financial institution who calls himself the advertising manager is nothing more or less than a buffer, and his actual responsibilities and his influence on the ultimate course of the institution itself are not a great deal more than those of the policeman who stands at the doorway. His principal job seems to be to get between those persons who are trying to sell advertising and who are not welcome to any member of the firm or officers, and those officers.

Just what does the advertising manager do then? Well, his duties can best be described by the following incident. A man, head of a large manufacturing concern in a city of over 100,000 who was also a director of one of the banks, recently looked about for an advertising manager. His bank and another were about to merge and the standing of the new organization would warrant a regular, full time advertising man. "What we want," he said, "Is a man who has personality, appearance, and vision, a man who can meet our officers and directors on their level, and can represent the bank whenever called upon to do so. If he wishes to have an agency prepare the copy, he should be able to direct them. He must be able to do big things in a big way. In short, we want a man who won't be afraid to put his problems before the chairman of the board and tell him what he wants and why he wants it."

That seems to be a pretty big order and yet it is what is exxpected of all financial advertising men. There are too many men of small caliber now in the field, too many men who are afraid of their officers, and when a real one comes along it is like a refreshing drink of water.

The order expressed by that big business man is a large one and it demonstrates very clearly that the advertising manager must not only be an executive, but a diplomat.

Besides his internal duties, he serves as a liaison between the bank and the public. And if he is a successful advertising manager, he serves as a liaison between the officers and the employes, for he must be able to feel the pulse of the working staff and glean from them ideas and suggestions for closer co-operation between his department and all other departments. He is the voice of the bank--the one who interprets the bank and its policies to those on the outside.

All this being true, just where does he fit? In most organizations he has the title of advertising manager, which to the seller of advertising, and to him, is "sufficient unto the day," but on the inside it's different. He is considered an executive to be sure, but being so closely associated with the bank family, shouldn't he be ranked as an officer, and thereby become part of the official staff? Frankly, the writer thinks he should. For he certainly is deserving of the respect of those on the inside, and when he represents the bank on the outside, an official title very often carries weight.

If then we do admit him to the official circle, again, where does he fit? Many financial advertising men were raised in banks, many were not. Hence the suggestion at once arises that the advertising manager cannot become an officer because he may not be a banker.

This truly is a fallacy, and I think that if he is given the title of assistant cashier, the implication is that he is a banking officer.

Many of the larger institutions have solved the problem by making their advertising manager an assistant vice-president, and to the writer's mind this is the first step. For then he can be directly in contact with his immediate vice-president superior, and work with him in closer harmony. He can also work much more smoothly on the inside of his institution and be in a position to get facts and figures when he needs them.

It does not mean that he ranks above the assistant cashiers or any other junior officers of the bank, for their duties are quite different from his. It simply makes him a member of the official family, gives him added self-reliance in the position vested in him, and lends dignity and strength to that position.

The goal of all financial advertisers should be a vice-presidency, and the office of assistant vice-president is the first step.

Rather a lofty ambition you say. Maybe, but consider the facts, and what is expected of him, and you will have to admit that the ambition is worthy.

It is hoped that those bank officials who read this will not throw it aside, but *think* about what has been said. The writer has tried to present this from the side of the advertising man. He is all too often considered a necessary evil when he should be given every help possible, so that his work can by its very magnitude increase the standing and business of the institution.

BANKING AND FINANCE ABROAD
AND
INTERNATIONAL BANKING NOTES

THE FINANCIAL AND ECONOMIC SITUATION ABROAD

By William Hayes

POLITICALLY, the situation in Europe is very bad. And in the unstable state of most European countries, political conditions have much more influence on business than in the United States. It is true there are some encouraging items to report. The general strike in Great Britain was a complete failure, but the coal strike continues. Almost daily efforts at reconciliation have been made, but all have failed so far. The miners still stick to their slogan: "Not a penny off wages; not a minute on hours." Already a shortage of coal is hampering business.

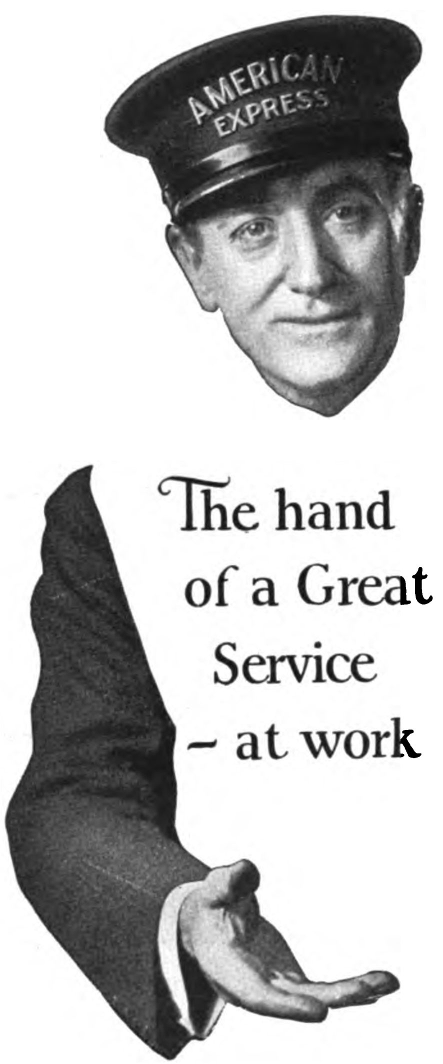
On May 15 the pound sterling went above par for the first time since December 19, 1914. During the war, and until March, 1919, it was pegged at $4.76. When the support was removed, it dropped rapidly to $3.80 late in 1919. The low point, however, was reached in 1920, at $3.19. Since then it has moved upward fairly steadily, until it became apparent that it was only a question of time till it reached par. The final return to par has been so long anticipated and its effects discounted that the final reaching of the goal will not likely have any marked effect on business. But it marks the last step in the recovery of Britain from currency and exchange depreciation.

Part of the strength of the pound is probably due to the selling of other currencies. For exchange on Italy, France, and Belgium has gone down as the pound went up. On May 14 the Italian lire broke away from its peg at 4 cents, and dropped below 3½ cents, though there was some recovery later. The weakness in the Belgian franc which first became apparent when Belgium failed to get the hoped-for $150,000,000 loan some months ago, continues, Finance Minister Janssen having given up the struggle and resigned. The French franc also took another headlong drop about the middle of May, and the Briand cabinet despairing of making any progress toward financial stability against the present political condition in France, resigned about the middle of June.

In Poland, Marshal Pilsudski overturned the government by a military coup, and then by a very skilful political manouver, had himself endowed, by constitutional method, with dictatorial power without assuming any of the responsibilities of a dictator. The German Government showed its weakness when it went down to defeat on a trivial question. In the Balkans also, governments have been changing rapidly. With such chaos, little economic reconstruction can be hoped for from Europe in the near future.

COAL SHORTAGE RETARDS BRITISH BUSINESS

Severe as was the setback to British business caused by the general strike, the indications are that the recovery might have been reasonably prompt, had the shortage of coal not intervened. The Prime Minister reported that the direct cost of the general strike to the government was not over £750,000. The London *Statist*, estimating the total loss to the country, both direct and indirect, through stoppage of production, placed the figure at about £1,576,000. And this loss of production is evidently to continue for some time, for already production is being curtailed because of lack of fuel supplies. Unemployment, which had decreased slightly in April, is again in-



"WHEN the Yankee tourist finds Yankee travel service awaiting him in the far corners of Europe he is apt to become thoroughly sold on the foreign methods of the American Express Company. His frame of mind is the best possible tribute to an organization made familiar through constant contact.

How It Helped an American Business Woman:—

"Take, for example, the recent experience of an American business woman. The day before sailing from England for home she found that she must make a hurried trip to Paris. In her haste she forgot to have her passport viséd—and was stopped at Calais. The situation was serious.

"She appealed to the Calais representative of the American Express. He grasped the problem and applied the remedy. The woman proceeded to Paris as planned, leaving her unendorsed passport in his hands.

"Crossing the Channel by the afternoon boat, the agent hurried to London, presented the woman's passport at the office of the French Consul, got the necessary visé, returned to Calais by the night boat; and at nine o'clock the next morning the owner of the passport found the document ready and waiting for her at the Paris office of the American Express. At nine thirty-five she was a passenger on the boat train for Cherbourg, homeward bound, with her Paris business accomplished.

Chambers of Commerce—Please Note

"Then there was the case of a party of Chamber of Commerce representatives. None of their travel arrangements had been made through the American Express, although theirs was a class of business which the organization was particularly anxious to attract. At 1:30 P. M. one Saturday the tourists visited the Paris office of American Express with a problem concerning London hotel accommodations. They were leaving that afternoon and had just learned that London hotels were full. Could American Express help them?

No "Magic"—Just Action

"The official conferred with members of his staff and found one who was willing to sacrifice his half-holiday in the interest of Yankee travel service. 'This man will meet you at the London station. At Victoria station at 10:40 that evening they found the man and with him reservations for the entire party.

" 'But how did you do it?' they asked.

" 'Very simple, indeed,' he answered. 'Over by special airplane—out to our London manager's home—a few busy wires—that's all.'

All in the Day's Work

"To American Express officials the solution of such problems of travel as these is a part of the day's work. But does such service pay? Ask a Paris official of the American Express Company and he will ask you—'Does anything ever pay—better or more than —*Service?*' "

Banks which sell American Express Travelers' Cheques assure their patrons American Express Service.

Extracts from an article in the March issue of "Western Advertising" by Malcolm MacDonald.

creasing, for many mills are working only on part time. As early as May 22 the railroads began cutting down train service to save their coal. Only a few blast furnaces are in operation, and the iron and steel trade is almost completely shut down. Most of the large pottery factories, which were re-opened at the collapse of the general strike, are closed again. Spinning mills in Lancashire are to run only every other week. Street lighting has been cut to a minimum, and all sky signs and decorative lighting are prohibited. The government is rationing all supplies of coal which are not privately held. With careful use, the supplies of coal will probably last until July, when it is hoped that the coal strike will be settled, or (what is more likely) arrangements will be completed for the importation of coal from the continent.

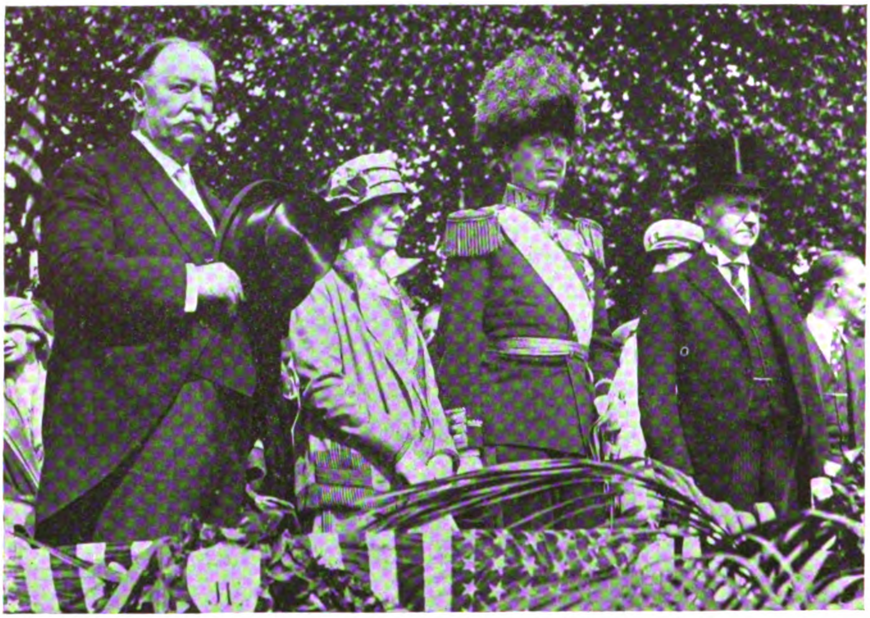
FINANCIAL CONDITIONS FAVORABLE

The money market in Britain is in a condition to assist in the revival of business which would be possible if it were not for the strike. Prices on the stock exchange showed little change during the strike, and are holding firm. Money was and still is fairly easy. The Bank of England is steadily adding to its gold supply. There is already some talk of a reduction in the bank rate to stimulate business revival, but this is hardly likely so long as lack of coal prevents any revival.

The investment market also continues very active. An issue of £2,250,000 in 6½ per cent. preferred stock of a cotton mill subsidiary of the Dunlop Rubber Company was oversubscribed. So was the £6,000,000 issue of New Zealand Government 5 per cent. bonds, at 98½. Numerous other small issues were received very well.

GERMAN GOVERNMENT DEFEATED ON TRIVIAL QUESTION

The Luther cabinet in Germany resigned on May 12, defeated on a question that must seem to outsiders a trivial one.



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At the recent unveiling of the John Ericson Memorial in Washington. Left to right: Chief Justice William Howard Taft, Mrs. Charles G. Dawes, wife of the Vice-president, Prince Adolphus of Sweden, and President Coolidge.

© HERBERT PHOTOS, INC., NEW YORK

Marshal Pilsudski (on left) leader of the recent revolution in Poland, with some of his chief officers.

The Nationalists had persuaded the government to order the flying of the old imperial colors of Germany along with the regular flag of the republic, over the Reich's foreign embassies. A motion was made to disapprove this action of the cabinet, the Nationalists refrained from voting, the motion passed, and the cabinet resigned.

Hindenburg asked former Chancellor Luther to remain in office, pending the formation of another cabinet. Dr. Otto Gessler, former Minister of War failed in his effort to form a cabinet. Then Marx, who was Chancellor when the Dawes Plan was accepted, and who had been acting as Minister of Justice in the Luther cabinet, agreed to act as Chancellor as well as Minister of Justice, retaining the same cabinet as served under Luther. Political writers doubt the permanence of the new cabinet. It is not essentially different from the Luther cabinet which was defeated. Then, too, the lack of support by the Nationalists caused the downfall of the Luther cabinet. Herr Marx is not a favorite with this faction. His former tenure of the office of Chancellor was terminated by inability to agree with the Nationalists.

He promptly set June 20 as the date for the national referendum on expropriation of the former princes. The majority favored expropriation but the vote was not large enough to pass it.

BUSINESS IMPROVEMENT SLOW

Improvement in business in Germany is very slow. There has been some improvement in coal sales, German producers selling to some of England's former customers. The increase in this business is not as large as might be expected. There are large stocks of coal at the mine mouths, but most of this coal is not of a suitable quality for export. The steel industry is enjoying some improvement. Wholesale prices show a slight advance. The number of bankruptcies, receiverships, and protested drafts is declining. Some improvement in production is shown in textiles, electrical products, leather, shoes, lignite, chemicals and fertilizers. The improvement in these last two is chiefly a seasonal improvement, and with the unfavorable crop conditions is not likely to last.

The foreign trade returns for April showed an export balance for the fourth time this year, though the balance was smaller than the March balance. Imports amounted to 723,000,000 marks in April, a considerable increase over the 645,000,000 marks reported in March Exports declined from 923,000,000 marks in March to 779,000,000 marks in April. The resulting export surplus is only 56,000,000 marks, which however looks very well when placed alongside the 336,900,000 marks import surplus of April, 1925.

THE PATERNAL REICHSBANK

On June 7, the Reichsbank reduced its discount rate from 7 per cent. to 6½ per cent. The bank is trying by every means in its power to stimulate business revival in Germany. But, in spite of cheap money in Germany, business revival waits on reviving demand.

The action of the Reichsbank, however, is characteristic of the different attitude which the European central banks have toward business conditions from the attitude taken by the Federal Reserve Board. The European central banks feel a responsibility for maintaining prosperous conditions in business. The Federal Reserve Board takes some notice of business conditions in fixing rediscount rates "with a view to accommodating commerce and industry throughout the country," but considers its prime function is keeping the banking structure of the country in a sound and liquid condition.

Contrast this with the recent action of the Reichsbank. Some time before the present abundance of money in Germany, the Reichsbank decided that the high interest rates then prevailing were discouraging business, and accordingly reduced its discount rates, though credit demands were greater than it could supply, even at the higher rate. Demands for credit were cut to fit supply by credit rationing. Further cuts in the rediscount rate had little effect, for the discount rate was already below the market, and the banks did not pass on the reductions to their customers, but took the margin as additional profit for themselves. Questionnaires sent to the German banks reveal the fact that they have not reduced the interest charges to their customers, and they are in no mood to do so. They insist that they must make profits if they are to exist, and that the rates they now charge are necessary if they are to make profits.

Finally, the bank has now come out as opposed to the further flotation of public bond issues in Germany (which was reported in these columns last month), contending that such issues tend to absorb domestic capital which will be needed later for the revival of German business. For there is still a marked shortage of capital in Germany, as has been pointed out again and again, in spite of the abundance of short time money.

ANOTHER CABINET RESIGNS IN FRANCE

Neither the balancing of the French budget nor the funding of the French debt to the United States seems to have restored any confidence in French finances. The franc still falls. The real difficulty remains. Until some readjustment of the French internal debt can be made somewhere within the nation's ability to pay, little improvement can be hoped for.

It was a payment on this same internal debt which was one of the contributing factors to the latest decline of the franc. On May 20, treasury bonds to the amount of 6,000,000,000 francs matured. Assisted by record collections of revenues and an advance of 800,000,000 francs from the Bank of France, this maturity was met without difficulty. But the apprehension over this large payment caused weakness in franc exchange for several days preceding the maturity.

Meantime, Finance Minister Peret was in London, trying to fund the French debt to Britain, and also trying to get British credits for the support and stabilization of the franc. On May 18, he returned to Paris without reaching a settlement with the government of Great Britain. This failure, combined with the

DARMSTÄDTER
UND
NATIONALBANK

Kommanditgesellschaft auf Aktien

Capital and Reserves 100 Million Reichsmark

BERLIN—Telegraphic Address: Danatbank

Numerous Branches in Germany - Correspondents all over the world

Balance Sheet per December 31st, 1925

ASSETS

	Reichsmark Pf
Cash in Hand, foreign Currency and Balances with Note-Issuing and Clearing Banks	53 641 339 07
Bills Receivable and non interest-bearing Treasury Bills	246 956 415 93
Credit balances with Joint Stock and Private Banks	114 168 246 16
Contangoes and Advances on Securities quoted on the Stock Exchange	19 313 902 41
Advances on Goods in Stock and in Shipment	66 713 763 72
Own Securities	19 261 597 25
Syndicate Investments	16 078 981 16
Permanent Investments in other Joint Stock and Private Banks	21 416 063 81
Debtors on Current Account	429 369 643 79
Bank Buildings	25 000 000 —
	1 011 919 953 30

LIABILITIES

	Reichsmark Pf
Share Capital	60 000 000 —
Reserves	40 000 000 —
Creditors	859 132 044 26
Acceptances	36 256 502 —
Pension-Fund for Employees	1 500 000 —
Other Liabilities	5 907 894 20
Profit and Loss Balance	9 123 512 84
	1 011 919 953 30

Dividend for the year 1925: 10 per cent

anxiety over the French government's ability to meet the May 20 maturity of treasury bonds without recourse to inflation, caused another headlong drop of the franc to 2.72 cents, the lowest point that it has ever touched. It subsequently recovered to about 3.27 cents. There were rumors that the Morgan loan, of which $89,000,000 remained, was used to support the franc again, and while no official announcement was made, common opinion is that about $30,000,000 of this was used. The Finance Minister announced, just prior to the recovery of the franc to the point mentioned above, that he had decided to "use immediately for the defense of the franc, all the resources of whch the public credit can dispose."

The franc still showed weakness, and M. Peret suggested that the gold reserve of the Bank of France should be used for its support. This was vigorously opposed by the directors and the governor of the bank, and eventually it was decided not to use this reserve.

Later, political opposition became so great that, though not defeated, Briand and his cabinet decided to resign. President Doumerge promptly asked him to form another. He was balked by Herroit's refusal to take a post in any cabinet but his own. Herriot was then given a chance to form his own cabinet, but failed. At the time of writing, Briand was trying a second time to form a government.

A committee composed of: M. De Monzie, Minister of Public Works; M. Binet, Minister of Agriculture; M. Vincent, Minister of Commerce; and M. Durand, Minister of the Interior, was appointed to draft a plan for the limitation of imports, and the limitation of consumption. It is hoped by this means to curtail the use of wheat, coal, meat, gasoline, etc., sufficiently to remove the import balance, which has made stabilization of the franc doubly difficult. It will be effective if it does not so curtail imports as to curtail efficiency and production. Imports were lower in April, but exports showed a much larger decline than imports, with the result that the import balance of 667,000,000 francs was larger than that of March. Along with the reduction of imports, exports evidently must be stimulated if France is to have a satisfactory balance of trade.

PRODUCTION AT HIGH LEVELS

The paradox of the French business situation is referred to in these columns every month. In spite of all the disorganization of public finance, business continues to be good. Production, particularly in the coal and iron industries, is at record heights. The textile plants are well occupied on foreign orders. Unemployment is negligible.

Eventually, however, costs are bound to catch up with the prices which are so constantly rising with the steady depreciation of the money. When they do, they begin to impinge on business profits, and frequently wipe out profits altogether. Some evidence of this may be seen in the rise of the French index number of prices from 649 in March to 664 in April. Unemployment is increasing slightly. Wage earners, finding the cost of living increasing, are demanding wage increases. All these developments are merely symptomatic of the working out of "inexorable economic law." Business may be stimulated for a time by currency depreciation, and by other artificial means, but the economic machine is like the human body—the effect of the stimulant will wear off unless administered in larger and larger quantities. If the quantities are increased, the result is eventual ruin. In either case, the return to normal conditions is so difficult and so painful that it is seldom attempted until force of circumstances compels it. Meanwhile, however, France is wasting her substance, for she is selling her products abroad, and receiving payment in a depreciated medium. And the constant depreciation is causing readjustments of social classes which will cause much misery and discontent.

If France is not to follow the path of Germany to complete devaluation of the franc by inflation, something must be done. The French know this, and have appointed another commission of experts to make recommendations. It can easily be prophesied that the commission will suggest a plan for the restoration of financial stability that is sound, but that political difficulties will interfere with its adoption. Each political group in France is still thinking of how it can use this situation to further its own interests. Until they forget (at least temporarily) party interests, and unite in the effort to remedy the situation, not for the sake of any political party, but for the sake of France, little improvement is in sight.

LIRE BREAKS AWAY FROM ITS PEG

Two months ago the outlook for Italy was rosy. Business was active, the Italian debts to the United States and to Great

Britain had been funded, the lire was stabilized at 4 cents, the budget was balanced, and the treasury was reporting monthly surpluses of receipts over expenditures. The only cloud on the horizon was the growing import balance of trade. But it persisted and grew larger. Exports for the first quarter of this year decreased 87,000,000 lire from the total reported in the same period in 1925, while imports increased 221,000,000 lire, making an import balance of 2,688,000,000 lire, in contrast with only 2,483,000,000 lire for the first quarter of 1925. Most of the increase in the import balance seems to be covered by a decrease in exports to Germany (said to be due to a German boycott on Italian goods, because of Mussolini's speech some time ago).

With this import balance hanging over the exchange situation, it required only the decline of the French franc to start a speculative drive against the lire. It evidently became too strong for the Institute of Exchange, which had been supporting the lire, for about May 13 purchases for the institute were suspended, and the lire dropped a quarter of a cent. On May 15 it took a further drop, closing at about 3.45 cents. Since that time it has held around 3½ cents. Most of the newspaper reports have attributed the fall to the withdrawal of the support of the Institute of Exchange. But this explains nothing unless a reason is given for the institute's withdrawing its support. It seems likely that the cumulative effect of the payments required for the import balance and the speculative drive placed a greater burden on the institute than its resources would bear.

BANK OF ITALY GIVEN MONOPOLY OF NOTE ISSUE

Mussolini seems to be gradually strengthening the machinery by which he controls Italy. He evidently plans to use the central bank as an aid to this control. The budgetary surplus is being very skilfully used to this end. The treasury has liquid funds on hand of somewhere around 3,000,000,000 lire, and has deposited the whole amount in the Bank of Italy, instead of spreading the risk. This gives the treasury considerable control over the bank, for the withdrawal of all or even a large part of this 3,000,000,000 lire would force the bank to restrict its loans and perhaps advance the discount rate. Thus the government potentially controls credit granting by the Bank of Italy, and in a measure controls the money market.

With this in mind, the recent action of the cabinet, in restricting the privilege of note issue to the Bank of Italy can be understood. This restriction is simply another link in the chain of control. Since 1894, the Bank of Naples and the Bank of Sicily have had equal powers of issue with the Bank of Italy. Prior to that time the note issue privilege was also held by several other provincial banks. From the point of view of banking, it is probably better to have the note issue concentrated in one bank, rather than in three separate banks, if the bank is independent of the government. The decree becomes effective July 1, when the reserves of the other two banks which are held against their notes are to be transferred to the Bank of Italy. Their notes will continue to be legal tender until July 1, 1927, being redeemed gradually by the Bank of Italy, and replaced with its own notes.

PILSUDSKI UPSETS POLISH GOVERNMENT

The hopeful reports on the condition of Poland made by Professor Kemmerer earlier in the year gave no inkling of the political unrest that must have been evident in that country. For the recent emergence of Marshal Pilsudski from retirement and his sudden elevation to dictatorship came as a complete surprise.

Late in April there were signs of trouble when the Skrzynski cabinet was defeated on the issue of sound finance. Finance Minister Zdzjechowski, finding a budget deficit, proposed that it be reduced by strict economy. He recommended the dismissal of a large number of unnecessary employes on the state railways, and the reduction of the salaries of many others. The Socialists, of course, opposed any such action. They proposed to meet the budget deficit by the ever popular method of getting a foreign loan, ignoring completely the impracticability of securing a foreign loan with an unbalanced budget. Failing this, they called to mind the prosperity which was prevalent during the period of inflation, and suggested more inflation. Deflation and stability, they said, are not helpful, for they produce only unemployment and stagnation in business.

The Skrzynski cabinet offered its resignation late in April, but the president persuaded it to retain office until about the first week in May, when it became apparent that it could make no progress. M. Witos was asked to form a government and did so, but it was not essentially different from the Skrzynski government.

Meanwhile signs of Pilsudski's power had been showing. He had been in retirement since 1922, but in the labor parade on May 1, this year, there were numerous cheers for him, and the Socialist flags were dipped again and again in his honor. He is a Socialist, and the Witos cabinet did not meet with his approval. He charged it with corruption, widespread bribery, and misuse of state funds, and finally set out to remove it by force, since the could not force Witos' resignation by peaceful means.

When he started his advance against the government, he had only four regiments, but his forces were constantly augmented by desertions from the government forces. For a time he met with more resistance than he expected in Warsaw, but finally gained control of the city, and forced the resignation of the Witos cabinet. About 600 lives were reported lost in the fighting. President Wojciechowski resigned at the same time as the cabinet resigned, and M. Ratay took his place as acting president.

He appointed M. Charles Bartel as Prime Minister, and M. Bartel speedily formed a cabinet, with Pilsudski as Minister of War. M. Bartel is the son of a locomotive driver, and gained a technical education while working as a locksmith in Vienna. He was a railroad official in the Austrian army, and later mobilized the Polish railroads against the invasion of the Red army six years ago. He is a member of the Labor party, but not a Socialist. He asked Count Skrzynski to become Foreign Minister in the Bartel cabinet, but Skrzynski declined, stating that he believed that a government based on force would be only temporary, and he would rather have no share in it.

May 31 was set as the date for the election of a new president, and Pilsudski was elected but he declined to have the office. He is too skilful to accept the responsibilities of power if he can avoid them. A second election gave the office to the man Pilsudski suggested, M. Ignace Moscicki. Professor Moscicki (for he was a professor in Lemberg University) was born in 1867, studied chemistry in Riga University, and in London, and has served as professor of chemistry in various universities. He patented a method of manufacturing synthetic fertilizers, and organized large factories to manufacture them. He was evidently elected merely to act as a tool for Pilsudski, who was later given dictatorial powers, by special legislation.

This is not encouraging. Marshal Pilsudski has a reputation as a trouble maker. When he was only 19 he was exiled to Siberia for conspiracy, and has been involved in such things at fairly regular intervals ever since. He was at the head of the Polish Government in 1918, invaded Russia in 1920 only to be driven back, was Minister of State in 1921, but resigned because of a difference of opinion with Korfanty, prime minister at that time. He is said to be an intensely egotistic man and a believer in the mailed fist (which his late actions confirm). He would like to be known as the greatest commander and statesman in

Central Europe, and entertains dreams for Poland far beyond her ability. He counts on the labor unions for support, but his methods are such as to alienate the unions. For example, when 3000 workers from the iron and munition works at Ostrowiec recently struck for higher wages, he promptly called out the troops, fired on them, killed a few workers, and sent the rest scurrying back to their work in fear. It is hoped that this sort of reign of terror will be short lived in Poland.

The American Polish Chamber of Commerce announced that Doctor E. W. Kemmerer sailed for Poland about the middle of June, with a committee of experts on finance and economics, who will make a thorough study of the financial situation and draw up a program for again restoring Poland's finances. If memory serves, this is the third time that Doctor Kemmerer has been to Poland for this same purpose. No evidence has been offered that his former plans would not have worked, for they never have been tried out in their entirety. Always something happens. Last year it looked as though Poland was on a stable basis—as a matter of fact she was—but she couldn't stay there. The trouble in Poland is the same as in France—too much politics. Whenever the people in Poland can agree, and give their united effort to carrying out a program of financial stabilization, there will be some chance of success.

SOME SIGNS OF IMPROVEMENT IN SCANDINAVIA

There are some signs that the widespread depression in the Scandinavian countries is abating a little. The money situation in Norway has eased considerably. The government borrowing is now being done at home. The Bank of Norway reduced its discount rate from 6 per cent. to 5½ per cent. on May 10, with little apparent effect on business, which is very stagnant. The greater monetary ease is attributed to the return of deposits to Norwegian banks from abroad with the prospect of the return of the krone to par. Prices are still declining, and until they are stabilized, no permanent revival of business can be expected.

And stabilization of prices is very difficult with the krone steadily improving. The puzzle of the krone was referred to in the May issue. The government has withdrawn its support, and would prefer to see the krone stabilized at about 20 cents, as an encouragement to business. But the krone has refused to stay at 20 cents. After the withdrawal of government support, it advanced to 21½ cents, and held around there for a couple of months. Then, in the first week in June it advanced further to about 22 cents. This was helped along by the offer of a prominent bank of 22.15 cents for 5,000,000 kroner, all or none. Evidently the krone is bound to go to par in spite of the government.

MODERATE ACTIVITY IN SWEDEN

Sweden is enjoying moderate industrial activity on the growth of the export trade with Russia. The general index of prices is still declining, building costs are lower, but improved conditions are reflected in a reduced number of bankruptcies and an increased note circulation. The Socialist cabinet of Premier Sandlar resigned about the first of June, after the Swedish legislature had passed some unemployment relief recommendations to which the Socialists were opposed. The cabinet which succeeded M. Sandlar, is headed by C. G. Ekman, once a blacksmith, and now leader of the extreme prohibitionists. The other ministers are: Foreign Minister, Erich Loefgren; Minister of Justice, J. C. W. Thyren, formerly professor of law and rector of Lund University; Minister of Defense, Senator Rosen, a newspaper editor; Minister of Social Affairs, Mayor Jacob Pettersson; Minister of Communications, M. Zeurling; Minister of

Agriculture, Senator Hellstrom, secretary of the School of Agriculture; and Minister of Commerce, Deputy Felix Hamrin, a merchant. Rosen, Almkvist, Hellstrom, and Hamrin are Prohibitionists. The other members of the cabinet are Liberals.

Finland is enjoying a seasonal improvement in business with the breaking up of the ice and the resumption of communications with the outside world. In spite of declining prices and dullness in the pulp and paper trades, the metal trades are in a satisfactory condition, and business is fairly good in the leather and textile trades. The general tightness of money, with loans increasing faster than deposits is retarding this business improvement. There has been a light easing in the money markets in recent weeks, but the bank rate remains at 7½ per cent. So far the gold standard instituted by the banking law of December 10, 1925, has been successfully maintained without difficulty.

DENMARK IS SHORT OF CAPITAL

Shortage of capital is also the outstanding feature of the situation in Denmark. The banks seem to be loaded up with "frozen" loans, and in a position similar to the banks of the United States after the depression of 1920. Reductions of the interest rate in other countries (particularly the reduction of the Bank of Norway's rate referred to above) are being used as levers to force a reduction in Denmark. As usual, the farmers are particularly insistent in their demand for cheaper money. It is but natural, however, that when the banks find more demands for their funds than they can supply at the current price for loans, then should refuse to reduce that price, for the reduction would only stimulate the demand. Unemployment is gradually decreasing, the import balance is being slowly reduced, and exchange is very strong. Probably it will have reached par by the time this is printed.

When once the Scandinavian countries get their monetary systems back on a gold basis, so that this steady decline of prices can be stopped, rapid improvement may be expected.

NETHERLANDS BANK TO DISCOUNT FOR FOREIGN BANKS

The efforts of the German banks to have their bills made discountable at the Netherlands Bank were described in these columns in May. After careful consideration and consultation with the leading business men and banks of Holland, the bank has agreed to rediscount bills for foreign banks having branches in Holland. To be eligible for rediscount such bills must be accepted by a resident of Holland, and either of Dutch nationality or registered as a Dutch firm or company. All bills that are eligible for rediscount (whether they are to be rediscounted or not) must be reported to the bank. Bills rediscounted must be for actual financing of imports into the country of the person for whose account they have accepted. No renewals or bills for storage or to provide working capital will be accepted for rediscount. The discounting institution must be a Dutchman or registered as a Dutch firm or company, and both discounting institution and the acceptor must submit balance sheets and income statements to the Netherlands Bank at regular intervals.

The bank hopes, by this action to help in making Amsterdam a real financial center by building up an active discount market.

HUNGARY ADOPTS THE PENGO

By a law passed last November, Hungary adopted as her national monetary unit the "pengo." The name was chosen with the idea of making it impossible to translate it into another language, and at the same time with the idea of connoting to the people the return to a sound money. This is admirably done, for the literal translation of "pengo" is "jingler" thus calling to mind the fact that the money is based on gold with the ringing sound.

The pengo is worth about 17½ cents in American money. The Hungarian National Bank has bought the entire capital stock of the Hungarian Bank Note Printing Corporation, and will have the monopoly of note issue, issuing pengo notes in denominations of 100, 500, 1000, and 5000 pengoes. Subsidiary silver and gold coins will also be issued in "fillers" (which will be equal to 1/100th of a pengo). Coins will be minted for 1, 5, 10, and 50 fillers.

Since January 1, the reports of the Hungarian National Bank have been made in pengoes, and other corporations in Hungary are gradually changing their balance sheet to a pengo basis. The old paper crowns are redeemable in pengoes at the rate of 12,500 crowns per pengo.

The mint par of the pengo is given as follows: 1 pengo is equal to .0359388 gold pounds; to .1748985 gold dollars; to .4351157 Dutch florins; to .9064327 gold francs; to .6526315 Scandinavian crowns; to .7342105 gold marks; to .8631578 gold crowns, and to 1.2429473 Austrian schillings.

A CO-OPERATIVE MORTGAGE SOCIETY IN HUNGARY

A co-operative organization for the issuing of mortgage bonds, similar in principle to the German Consolidated Municipal Loan described in these columns in April, has been formed in Hungary. The Hungarian Commercial Bank of Pest, the Hungarian General Credit Bank, the First National Savings Bank Corporation of Pest, the Hungarian Discount and Exchange Bank, the Hungarian-Italian Bank Limited, and the Hungarian General Savings Bank Company, Ltd., all located in Budapest, have banded together into a "co-operative society of banks" for the issuing of mortgage bonds.

They will act much as the farm loan associations do in the United States, selecting mortgages, and guaranteeing them when they are passed on to the co-operative society. The banks differ from the farm loan associations in that they will make mortgage loans on city property as well as farm lands. These mortgages the co-operative society pledges with a trustee and issues bonds against them, just as the Federal Land Banks issue bonds against their mortgages, and thus by the combined strength of the banks, their guarantee, and the careful selection of risks, a very safe security is created. Such bonds are legal investments in Hungary for trust funds, for the Hungarian postal savings system, and are accepted as security for government deposits. An issue of $5,000,000 of these bonds was recently floated in the United States by Lee, Higginson & Co., and the J. Henry Schroder Banking Corporation.

THE CRISIS IN RUSSIA AND ITS CAUSES

Russia is again losing her fight for a stable money. While the chevronetz is still nominally at par, the marked rise of prices which has recently taken place is depreciating its purchasing power, and having the same effect as inflation. Russia now finds herself unable to maintain the purchasing power of her monetary unit, even with her most strenuous efforts. The events leading up to the establishment of the chevronetz, and the attempt to maintain its purchasing power are interesting.

The revolutionary government in Russia, believing in the abolition of all money, at first deliberately set about to destroy the value of it by printing money in vast quantities. This was a case of deliberate and premeditated inflation, brought about in following out a fallacious economic theory. In 1921 it was found that this theory was unsound, and a part of the New Economic Policy adopted at that time was the creation of a new stable unit of money, the chevronetz, to be issued by the new State Bank of the U. S. S. R. The chevronetz is equal in gold content to ten gold rubles. The bank is allowed to issue chevronetz notes, provided it maintains a reserve of at least 25 per cent. in gold and the remainder in staple commodities, short term securities, or stable foreign currency against such notes.

The old paper rubles were allowed to circulate side by side with the new chevronetz, though the rubles fluctuated widely in value from time to time. The issue of paper rubles from time to time was very useful to the Soviet in meeting budget deficits, but it had a bad effect on business, and was finally abandoned in 1924, when the issue of further rubles was discontinued, and a rate for their redemption in chevronetz was fixed.

The establishment of a stable medium of exchange and the other beneficial effects of the New Economic Policy (which was briefly an abandoning of communism and the adoption in place of it of a sort of state capitalism) caused a temporary improvement in business in Russia, which the authorities immediately hailed as a vindication of their policies and proceeded with elaborate plans for increasing trade. Monthly turnover on the Moscow produce exchange, according to figures furnished by the Russian Finance Commissariat, increased from 129,600,000 rubles in 1923-24 to 249,300,000 rubles in 1924-25. The year 1924 showed an export balance of trade, and furnished the basis for various credits to Russia which resulted in an increase of imports from 262,300,000 rubles in 1924 to 737,300,000 rubles in 1925, while exports increased only from 351,600,000 rubles to 561,400,000 rubles, making the balance again an import balance.

UNSTABLE FOUNDATION FOR BUSINESS REVIVAL

But the improvement in business was not built on a stable foundation, and could not last. The equipment and machinery of the factories and railroads had so much depreciated that increases in production brought into operation the law of increasing costs instead of the law of decreasing costs. Usually large scale operation reduces the cost per unit of manufactured articles. This was not so in Russia. Each additional unit was produced at an increasing cost, and naturally had to be sold at a higher price.

The peasants were unwilling to pay the price asked for these manufactured goods. They found that with a reasonable amount of labor they could produce sufficient foodstuffs to live comfortably, and they made no great effort to produce more to exchange for manufactured goods on what they considered an inequitable basis. If they did produce more than they could consume, they were content to hold it, or feed it to stock, rather than sell. The state was thus deprived of the revenue expected from the sale abroad of the grain produced by the peasants.

The import balance could not be settled by payment of gold (for the gold available had been used for previous purchases), nor by loans, for loaning in Russia is still a matter to be approached with caution, nor by goods, for there was no exportable surplus. Naturally the chevronetz began to depreciate, and with it the purchasing power of the workmen.

The proper course was just the course which the government took—namely, curtailing the foreign program by the restriction of credits and the discouraging of imports. How promptly and drastically this was done is evident in the figures showing that the Soviet bought 159,266,071 marks of goods in Berlin in the first quarter of 1925-26, and only 17,636,257 marks in the second quarter, after this restriction went into effect. But it made the depression worse in Russia. Furthermore, it created the paradoxical condition in which Germany is seen appropriating 300,000,000 marks to guarantee credits extended to Russia by German manufacturers, a measure calculated to stimulate exports to Russia; while Russia is making vigorous efforts to discourage imports of all kinds.

Thus it has come about that the government has held a conference on means of saving the chevronetz from further depreciation; that the Soviet is asking people who hold maturing bonds to extend them, or take other bonds, instead of demanding payment in cash; that efforts are being made to float an internal loan; that textile factories are closing for lack of raw materials; and that military measures are being used to stop the rise of prices—all because past history has been disregarded as teaching nothing.

The only ray of hope in the whole situation is the fact that there seems to be a growing body of opinion in Russia which favors the granting of concessions to foreigners to bring in new capital and the spirit of initiative which comes with the chance for profit. The majority still favors repressive measures, such as trying to stop exchange dealing by prohibiting it (which has created a number of "black exchanges" dealing in exchange covertly) and trying to control prices by legislation, but in time if the Russian leaders will not learn from the experience of other nations, their own experience will teach them. It is deplorable that so many innocent people must suffer to disprove a theory that most rational men recognize as fallacious.

SLIGHT IMPROVEMENT IN SOUTH AMERICA

Argentina enjoyed a slight improvement in trade in April, but the combined influence of labor troubles at home, the depressing effect of the British general strike on trade with that country, and the decline of the Latin exchanges restricting exports to those countries counteracted this. Argentine importers find themselves heavily overstocked in a dull market. This has caused a considerable demand for money, a decline of exchange, and numerous bankruptcies.

Little improvement is reported in Chile, though a smaller budget deficit is expected this year. A new agrarian credit bank is proposed to assist the farmers to obtain loans on their grain when stored in warehouses. The new "caja de credito agrario," as it is called, will make loans on notes secured by the warehouse receipts for such stored grain, and these notes have been made eligible for rediscount at the new Central Bank of Chile. The new "caja de credito agrario" will also make loans secured by farm machinery, animals, growing crops, thus enabling the small farmer to get enough capital at a rate of interest not exceeding 9 per cent., to develop his business more extensively.

In Brazil, Bolivia, and Peru, there is little improvement. The coffee market is weak in Brazil, and it is reported that Dr. Luiz, president-elect of Brazil who is now in the United States, is negotiating for another loan for that country. In Peru the financial crisis through which the country has just passed, due to bad agricultural conditions, has left her very weak.

Only in Venezuela and Uruguay is good business reported. And even in Uruguay, while business is fair, merchants are complaining of slow collections. Venezuela, which has been enjoying fair business while the rest of South America was in deep depression, reports that the long overdue rains have arrived, and business is still further improved. Transportation on the rivers is still difficult, however, and merchants are restricting their purchases to immediate necessities.

On the whole then, while conditions are improved somewhat in South America, the improvement is very slight, and does not hold out an encouraging prospect for the near future.

INTERNATIONAL BANKING NOTES

AN increase in current loans of the Bank of Montreal of over $16,000,000, as shown in the half yearly report for the period ending April 30, may be taken as an indication of general business and industrial improvement in Canada. This half-yearly report of the Bank of Montreal is always awaited with a great deal of interest in the business community as providing a reflection of winter and spring developments in the business and financial situation.

An increase of about $14,000,000 in savings deposits and of $8,600,000 in demand deposits were the main factors in providing the increase in total assets.

The bank's assets now approach $750,000,000, showing an increase of over $30,000,000 for the year. In addition to the increase in current loans in Canada there is an increase indicated of $29,000,000 in current loans outside of Canada. Call loans in Canada are higher by more than $8,000,000, and call loans abroad reduced by more than $14,000,000.

A substantial increase in earnings for the six months is reported at $2,469,326, compared with $2,414,012 for the corresponding period of last year. Adding to this the balance of $596,788 from the profit and loss account of October 31, 1925, makes a balance of $3,066,114 available for distribution. This amount has been disposed of as follows:

To quarterly dividend of 3 per cent. paid March 1, 1926	$897,501
To quarterly dividend of 3 per cent. payable June 1, 1926	897,501
To provision for taxes payable to Dominion Government	194,583
To reserve for bank premises	150,000
Balance of profit and loss carried forward	926,529

The balance sheet of the Bank of Montreal, as of April 30, 1926, shows total assets of $749,132,357.

THE thirty-fifth annual report of the Incasso-Bank, Amsterdam, shows gross profits for the year ending December 31, 1925, of 6,386,937 florins. Adding to this the balance from 1924, 203,859 florins, makes a total available for distribution of 6,590,796 florins. This amount has been disposed of as follows:

	Florins
To current expenses	3,045,692
To "pension fund for staff of the Incasso-Bank"	69,138
To writing off premises account	200,000
To provision for doubtful debts	472,000
To dividends of 6½ per cent.	1,625,000
To dividend and bonus taxes	182,122
To reserve fund	250,000
To bonus to managers, directors, and staff	333,333
To extra bonus to staff	108,894
Balance carried forward to next account	304,615

The balance sheet of the Incasso-Bank, as of December 31, 1925, showed total assets of 126,832,226 florins.

THE net profit of the Yokohama Specie Bank, Limited, Yokohama, for the half-year ended December 31, 1925, as reported at the ninety-second half-yearly ordinary general meeting held on March 10, 1926 (after making provision for bad and doubtful debts, rebate on bills, etc.) amounted to 9,237,362 yen. Adding to this the 5,568,628 yen brought forward from last account, makes a balance of 14,805,990 yen available for distribution. This amount has been disposed of as follows:

	Yen
To reserve fund	3,000,000
To dividend at the rate of 6 yen per share	6,000,000
Balance carried forward to next account	5,805,990

Total assets of the bank, as of December 31, 1925, amounted to 1,378,718,235 yen.

HOW CONSOLIDATED BALANCE SHEETS ARE PREPARED

By M. E. Robertson

THE use of consolidated balance sheets and separate supporting statements in credit granting has received considerably more attention since the recent Federal Reserve Board ruling, which reads in part as follows:

"Whenever the borrower has closely affiliated or subsidiary corporations or firms, the borrower's financial statement shall be accompanied by separate financial statements of such affiliated or subsidiary corporations or firms."

Inasmuch as this ruling is being rigidly applied, in every case where paper is offered the Federal Reserve Bank in amounts of $5000 and over, and only a consolidated balance sheet of the parent company and its subsidiaries is furnished, the paper is rejected for want of separate statement of the borrower. This very feature makes it easier for the bank to secure a consolidated statement, plus separate statements from the customer. Every bank desires to keep in a liquid condition, and all being on the same basis with respect to this ruling, irrespective of Federal reserve district, the whole matter is largely simplified and analysis greatly facilitated. With large companies and commercial paper names, it is an absolute necessity that they supply this desired data, while the banks can easily demand it of the smaller companies.

The consolidated balance sheet under the meaning of the Federal Reserve Board ruling, and for the purpose of this discussion, is the consolidated balance sheet brought about by the consolidation of the balance sheet of the parent or holding company, together with balance sheets of its subsidiary or subsidiaries, all statements being as of the same date. As a matter of illustration take the balance sheet of a parent company which happens to have three subsidiaries. The statement of the parent company is as follows:

ASSETS

Cash	$ 60,000
Accounts receivable	420,000
Merchandise	600,000
Due from subsidiaries	210,000
Investment in subsidiaries	427,000
Miscellaneous	10,000
	$1,727,000

LIABILITIES

Bank debts	$ 400,000
Accounts payable	280,000
Due subsidiaries	130,000
Total current liabilities	$ 810,000
Capital	$ 500,000
Surplus	417,000
	$1,727,000

If the items, "Due from subsidiaries," "Investment in subsidiaries," and "Due to subsidiaries," were set up in detail, they would appear as follows:

Due from subsidiaries	
O. K. M. Company	$ 80 000
C. B. X. Company	130,000
Investment in subsidiaries	
O. K. M. Company	250,000
C. B. X. Company	75,000
A. H. L. Company	102,000
Due to subsidiaries	
A. H. L. Company	130,000

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THE AMSTERDAM MONEY MARKET

By Gerlof Verwey

WHEREAS Amsterdam before the war was an investment market of importance, its significance as an international money center was limited, primarily because the necessary funds to support this market failed, but also because the market technically had not been so highly developed as was the case with London.

The funds which are at the disposal of the money market are very limited indeed. Deposit banking in Holland is but little developed, the public generally preferring permanent investments (securities, mortgages) which though more risky, give a higher yield. Moreover those liquid funds which could be deposited, are rather lent out on the stock exchange,* where they give a higher return with almost the same risk. Then, the international character of the Dutch trade, makes it imperative for many merchants to keep balances in foreign currencies with banks abroad, which amounts would otherwise have gone toward increasing deposit accounts.

CHECKING ACCOUNTS NOT COMMON

Furthermore, the use of the check and checking accounts is not common in Holland, and transfer (giro) is only in its preliminary stage. The giro system organized by the postal authorities has met with success, but the funds which have been attracted to it are, to all practical purposes, withdrawn from the money market. The giro system, which is quite commonly practiced in Europe, but is only slightly known in this country, aims at facilitating payments between those who have joined the system. Payments are effected not by checks, but by means of an order issued by the debtor requesting the giro administration to transfer a certain sum of money, mentioned in the order, from his account to the account of a third party, the creditor. Obviously the transfer or giro system can only be effectively used if both debtors and creditors have joined it.

Currency is still largely used as a means of payment, as evidenced by the fact that note circulation amounts to about $50 per capita, as compared with $42.30 in England and $43 in the United States (both countries having a higher standard of living) and only $23.20 in Sweden.

Consequently the resources of Dutch banks have always been excessively low and form a striking contrast to those of the Anglo-Saxon countries, and to those of the principal European countries.

A few figures will easily substantiate this fact. Bank deposits (commercial and savings banks) amount to $258 per capita in the United States, to about the same amount in Great Britain (the exact amount could not be ascertained) to nearly $300 in Sweden and $368 in Switzerland.† In Holland however though lack of publicity prevents ac-

*Even small capitalists and rentiers in Holland will lend out their money or borrow money (on the strength of securities) on the stock exchange, through the intermediary of the banks or brokers. It is a feature of the Amsterdam Stock Exchange that the money is lent and the securities are mortgaged without regard to the standing of the borrower and without regard to the quality of the securities mortgaged, provided they are officially quoted at the Amsterdam Stock Exchange and provided the sum lent out does not exceed 90 per cent. of the face value of the securities.

†The small extent to which the overdraft system is practiced in the Anglo-Saxon countries, makes an exact comparison between the European and Anglo-Saxon figures impossible. None the less the figures given are illustrative.

curate calculation, $100 per capita seems to be a rather high estimate.

Whereas in the Anglo-Saxon countries a commercial bank generally has deposits equalling many times its capital and surplus (average for the United States. 5.8 times; for the ten London clearing banks: 14 times) and where this ratio for the Swedish banks is 4.4 and for the Swiss 3.3, bank deposits in Holland seldom surpass *twice* the combined amount of capital and surplus.

LITTLE MONEY AVAILABLE FOR DISCOUNTING

Deposits as long term investments, so popular in countries like Sweden and Switzerland, in Holland only exist to a small extent. As has been pointed out, such funds in Holland are attracted to the investment market, which is in a high stage of development, higher than in most other countries.

If it is further remembered that a considerable part of the resources of the banks is constantly employed on the securities market and is tied up in advances on securities, it becomes evident that only a small amount of funds is available for general credit purposes and for discount purposes.

Under these circumstances a discount market of international importance could only be developed with the active support of the Central Bank (De Nederlandsche Bank) either direct or through its rediscounting policy, or if the resources of the banks were strengthened by an inflow of money from abroad. It is desirable to keep in mind that, even during and after the war, these were the limits within which the discount-market could expand.

Before the war the discount-market in Holland played a relatively insignificant role, the more so on account of the great facilities that so handy a center as London could offer. Conditions however changed considerably during the war, when Amsterdam became a financial center of the utmost importance.

FACTORS CONTRIBUTING TO AMSTERDAM'S RISE

Two facts particularly contributed toward the rise of Amsterdam at the expense of London: the fluctuation of the pound sterling as a result of which the pound lost much of its old standing; and the fact that the London money market, even after the war, was closed to Germany.

The situation in Germany in the years 1918 and following caused much German capital to go abroad, and Amsterdam consequently could benefit all the more from the isolated attitude of London toward Germany. The establishment of German banks at Amsterdam was the result of this attitude on the part of England.

The many exchange transactions, particularly in German marks, have already greatly increased the international importance of Amsterdam. Its significance was again considerably increased by the establishment of a large number of German financial institutions, who had large amounts of capital at their disposal. Moreover the concentration movement had considerably strengthened the influence and power of the big banks, who also contributed toward the revival of the Amsterdam money and discount market.

After the stabilization of the German mark, however, most of the German capital returned to Germany, where it was urgently needed to participate in the economic reconstruction of the country. From being the principal supplier, Germany turned to be the principal borrower of capital. The banks in Germany, bereft as they were through depreciation, of the necessary resources,* could supply only a small part of the capital needed,† and in most instances

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*German bank deposits after the inflation period (on December 31, 1923) equalled from 10 to 15 per cent. of the pre-war deposits.

†The more so because the German Reichsbank had limited rediscounting fcalities.

THE ELIMINATION OF NON-ESSENTIALS

By Richard W. Saunders

THE simplest and most expeditious ways of making an improvement are seemingly either to take something away or to undo something that has previously been done. There is a tendency to keep on accumulating things, due probably to the innate desire for possession. And people give to the things they possess a value which is rarely assigned to them by others. It is only when the time comes for the disposal of such belongings that one finds their true value.

Not only is the tendency to over-accumulate, but also to select objects that really do not matter. Our houses are filled with all kinds of unnecessary things with any one of which, however, we hesitate to part. Storerooms are veritable museums. Storage warehouses are filled with things that their owners would be much better without. People cling sentimentally to so much that has either outlived its usefulness or would be better in the hands of others who would make good use of it. Massive trunks are built for travelers but foreign travel, which has increased so greatly in recent years, has taught many tourists how nearly everything necessary can be carried in one bag. Handling excessive baggage abroad, where the railroads have not attained the degree of service common in this country, is a task that few would undertake a second time.

An amusing instance is given by Jerome K. Jerome. Three men were planning a trip up the Thames in a small boat and were making out a list of what they should carry with them. The first list had to be discarded. "It was clear that the upper reaches of the Thames would not allow of the navigation of a boat sufficiently large to take the things we had set down as indispensable." Then one of the men said, "We are on a wrong track altogether. We must not think of the things we could do with, but only of the things that we can't do without." Camp life teaches how few things one needs to subsist happily.

This thought applies forcibly to our laws. Many of these when passed are considered by those responsible as being of vital necessity. Becoming a burden, they awaken a spirit of unrest that may develop into a serious menace. History is full of examples where the people demanded the repeal of an obnoxious law and more than one revolution was the result of a denial of this demand.

Authors offend very frequently in this regard. In the study of any subject the examination and rejection of masses of facts that obscure the main theme, take a vast amount of time. Things are so related to each other that it is often difficult to decide what is or is not of importance. Some authors are obscure as well as verbose. A critic said of a certain book by W. E. Gladstone that there was not more than 50 per cent. more verbiage than necessary and that no sentence had over two meanings.

The mind also becomes burdened with a mass of unnecessary facts, worn-out ideas or prejudices that impede clear thinking. One of the great values of education is to instil the principle of selection and to enable the mind to reject the valueless and concentrate upon and properly tabulate the really worth while.

In business, simplicity is becoming more and more the cardinal rule. Taylor watched bricklayers make seventeen motions in laying a brick and was able to reduce these by half. Standardization of styles and patterns has been undertaken by the United States Chamber of Commerce. Simplification can be applied to everything in life. As the non-essentials are discarded, the attention can be better directed to the essentials with resulting benefit of the individual and the world at large.

STABILIZING THE UNSTABLE

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much differently situated than those engaged in other lines of production and trade, and that the farmer alone is entitled to some special form of relief by the Government, while others are left to the mercy of times and cimcumstances?"

Congress has been asked to amend the Federal Reserve Act so that the Federal Reserve Board shall utilize all its powers for promoting stability of the price level. In regard to this proposal it has been pointed out by Governor Strong of the Federal Reserve Bank of New York that no power exists or could be created to fix prices. He went on to say:

"If it is assumed that the system has power to raise or lower price levels by some magic, mechanical formula, what safeguards are there against stupidity, or any bad judgment that might be exercised or against divided opinions in our council? Is it possible to guard against misuse of political influence over this power?"

The relation which reserve bank credit sustains to the money market was thus set forth in a paper on "An Analysis of Changes in the New York Money Market," by W. Randolph Burgess, of the New York Federal Reserve Bank, published in "The Review of Economic Statistics:"

"The use of reserve bank credit by the money market is in the main a semi-automatic operation. The amount of such credit called into use at any time is the result of the composite action of the officers of many member banks and occasionally of dealers in bills and securities. In the main the use of reserve credit is on the initiative of these people and not on the initiative of the banks. This does not mean that reserve bank policy in fixing rates and dealing at times in Government securities is not important. It means that the banks help to set the stage by fixing their discount and buying rates, and beyond that point the operations are ordinarily semi-automatic as far as the banks are concerned. The use of reserve credit by the market is a direct response to changing conditions in the market. The semi-automatic adjustment of reserve bank credit to market needs is a major force for financial stability and is one of the most effective contributions which the reserve system makes to American finance."

In this view, which appears to be the correct one, the reserve banks are less the creators of general credit conditions than reflectors of them. Popularly, the reserve banks are supposed to possess powers almost magical in controlling the supply of credit and in regulating prices; but actually these powers are greatly circumscribed by conditions beyond the ability of the reserve banks to control.

Another proposal for stabilizing the general price level is to have the dollar jump up and down in its gold content as prices vary. This form of achieving stability is thus satirized by Professor Simon Newcomb in his "A. B. C. of Finance:"

"The principles on which this ingenious system of finance are based need not be confined to money; they can also be applied to navigation so as to prevent shipwrecks. A ship's anchor frequently fails to hold her in a storm, and she may thus be driven on a lee shore. Scores of vessels are wrecked in this way every year. The new plan of anchoring which is open to all the world is this: Dispense with all such uncertain things as anchors, and send your ships out in pairs. Then whenever your two ships—the Eagle and the Ocean Wave—are in danger of being blown on a lee shore in a gale of wind, lash the Eagle firmly to the Ocean Wave so that the wind cannot move her an inch. Then lash the Ocean Wave to the Eagle so that she cannot move either. Then the two ships will bid defiance to

the storm, and their crews will look on calmly as they see these unwise captains who trust in anchors drifting by them. You see the principles involved. The Eagle is the greenback, the Ocean Wave the bond. The greenback is based on the bond as the Eagle is lashed to the Ocean Wave. The bond is based on the greenback as the Ocean Wave is lashed to the Eagle. And thus we see in navigation as in finance, a 'subtle principle' which will regulate the movement of finance and ships 'as accurately as the motion of the steam engine is regulated by its governor.'"

While the above was written in reference to what was known as the interchangeable bond plan, its applicability to the jumping dollar will be seen.

The Stable Monev Association has been formed to study the relations of money and credit to the price level. It might do useful service by attempting to bring about the following reforms:

1. To establish one kind of legal tender—gold.

2. To make the Federal reserve notes obligations of the Federal Reserve Banks, and not of the Government.

3. To increase the required bank reserves and to compel the holding of a larger percentage of the reserves in the individual bank's vaults in the form of gold.

Even these measures would not stabilize prices, but they would reduce some of the elements now contributing to inflation.

As to the farmer, because his case is difficult, it should not be given up as hopeless. Perhaps the problem is summed up by Will Rogers when he says: "The producer and consumer have never shaken hands with one another." They should be introduced.

WHY THE BANKER IS MISUNDERSTOOD

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So, if the banker would more intimately familiarize himself with his customer's problems, and if the customer on the other hand would get better acquainted with the banker and learn the banker's side, much grief would be spared.

The concrete recommendation, then, is that bankers should here and now resolve that they will study the other fellow's job more closely; that they will take more time and devote more patience in acquainting him with facts as they see them; that they will give moral and financial support to the American Bankers Association, and particularly to those constructive agencies which have for their outstanding purpose the raising of the standard of economic knowledge in this fair land. And if all bankers; shoulder to shoulder, with this resolution as the watchword, will consistently and persistently labor for the achievement of this great purpose, when the time comes for them to lay down their arms they will be sure that they have assisted in no small way in making this old world better for their having lived.

THE VOTING RIGHTS OF STOCKHOLDERS: A RESUME OF A CURRENT CONTROVERSY

[Continued from page 20]

stock of a large railroad or industrial corporation may easily represent effective control, because the owners of the remaining two-thirds of the stock may be so widely scattered and have such diversified interests that, in the first place, it may prove impracticable in the language of politics, "to get the vote out," and, in the second place, the votes of the stockholders, when recorded, may show as many differences of opinion on vital corporate questions as there are well-defined groups of stockholders.

(b) The interest of the bankers who retain control of the voting stock of a corporation is identical with the interest of the corporation itself, the stockholders and the public. These bankers in the long run stand or fall, prosper or lose money, by the success of the corporations which they sponsor before the public. Such success, in turn, depends upon intelligent management of these enterprises and this intelligent management requires that authority and responsibility be concentrated. It is, therefore, unfair to criticize bankers for taking steps to guarantee that the ultimate control of the corporations whose securities they sell to the public shall remain in known, competent and trustworthy hands.

(c) The limitation of a stockholder's right to vote represents a voluntary agreement on his part to waive his voting rights, in whole or in part, in consideration of a preference over the voting stock as to dividends or distribution of assets, or both. Such restrictions of voting rights and preferences are generally printed on the certificates of stock and are usually set forth in circulars and advertising initially offering such stock for sale. If the public purchases stock without full voting rights it is fair to assume that it does so because the counterbalancing preferences make it an attractive investment. To forbid by law stockholders voluntarily to limit their voting rights by such agreements among themselves is a dangerous limitation of the doctrine of freedom of contracts.

THE SEPARATION OF OWNERSHIP AND CONTROL

(d) It is not accurate to speak of the "separation of ownership and actual control" as if it amounted to a disfranchisement of the holders of non-voting stock because of the tendency of the courts to control corporate powers in the interest of all the stockholders, even when such corporate powers on their face are given absolutely to the holders of one class of stock. In other words, all stockholders, however unqualifiedly the language of the statute and the language of the charter may place the management of the corporation in the hands of the holders of the voting stock, have the right of an appeal to the courts if they feel that the holders of the voting stock or the directors, who represent the holders of such voting stock, are not faithfully administering the affairs of the corporation.

"There is no rule better settled in the law of corporations," said Chancellor Wolcott of Delaware in a recent case, "than that directors in their conduct of the corporation stand in the situation of fiduciaries." The attitude of the courts toward the holders of voting stock has not been stated so plainly. But A. A. Berle, Jr., reviewing the leading cases on the point, in a recent issue of the *Harvard Law Review,* says "It is believed that examination will show the holders of such management stock to be subject to greater equitable control than generally supposed—control rendering them analogous to trustees, imposing many of the duties which trustees normally have toward their cestui que trust." The Industrial Securities Committee of the Investment Bankers Association also concludes a re-

port on the question of the issuance of non-voting stock by stating that, "the legal rights of voting common stocks where non-voting common stocks exist may carry with them obligations, the exact nature of which cannot at the time of issue be determined and which, if it could be known, it would not be good judgment to assume."

LIMITATION OF ISSUANCE OF NON-VOTING STOCK

(e) The limitation of the issuance of non-voting stocks, especially of non-voting preferred stocks, will result in new financing through the sale of bonds. This practice has been condemned by many eminent economists, and, in connection with the recent refusal of the Interstate Commerce Commission to authorize the Chesapeake & Ohio to issue about $11,000,000 of bonds, Commissioner Woodlock wrote a concurring opinion in which he clearly and forcibly set forth the reasons why railways that can do so should sell stock rather than mortgage bonds.

What then is the remedy for the non-voting stock evil, if evil it be? Most of the suggested remedies bring one squarely face to face with the issue of Federal versus state authority. Some proposed remedies are: (a) Federal incorporation of companies engaged in interstate business; (b) a Federal license system under which permission to engage in interstate commerce would involve compliance with certain standards as to corporate structures and publicity; (c) the placing of of superstate public-utility companies under the jurisdiction of the Interstate Commerce Commission; and (d) an increase in the power of such bodies as the Federal Trade Commission and the Power Commission of the Department of the Interior.

"The first duty is to face the fact that there is something the matter," says Professor Ripley. "For a remedy, I am groping as yet, like a child in the dark."

The consensus of informed opinion

seems to be that it is too soon to know what is the best "remedy," and that, while the matter is under intelligent consideration, the procedure should be in the direction of public education in the tested principles of investment. If the practice of issuing non-voting stock, say the investment bankers, be really so subject to abuse and contrary to the best interests of the stockholders and the public at large, such stocks will fall into disrepute, and their market will be gone, and the problem will solve itself.

"Whatever may be said of these criticisms," says Evans Clark in the *New York Times*, "the discussion they have caused in the world of business and finance proves beyond a doubt that Wall Street is as aware of Main Street as Main Street is of Wall Street. It looks as if this very pressing matter of industrial control would not be determined by either one without considering the other."

TO FORMULATE COURSE IN TRUST FUNCTIONS

DURING the mid-winter trust conference of the American Bankers Association, Stephen I. Miller, director of education of the American Institute of Banking called attention to the need of the institute for a course in trust work, suggesting that the A. B. A. appoint a committee to advise in the construction of such a course. This suggestion has been followed, the committee appointed including Dr. Miller as chairman; William H. A. Johnson, assistant secretary Continental and Commercial Trust Company, Chicago, Ill.; J. Cunliffe Bullock, vice-president Industrial Trust Company, Providence, R. I.; G. Harold Welch, assistant trust officer The New Haven Bank, N. B. A., New Haven, Conn.; and Frederick Vierling, vice-president Mississippi Valley Trust Company, St. Louis, Mo.

New York Chapter of the A. I. B. already has such a course.

THE AMSTERDAM MONEY MARKET

[Continued from page 67]

had to limit their activities to guaranteeing the credits which England and Dutch and later American banks also, granted on the strength of their signatures. Amsterdam, during this period, logically became the center for the financing of raw material to middle Europe, and the guilder naturally became a currency of much more than national importance.

ACCEPTANCE COMPANIES FORMED

The establishment of the so called acceptance and credit companies (Internationale Handelsbank, Wool Finance Corporation, etc.) dates from this time Their origin was the outcome of the long felt desire on the part of the banks to divide their risk and to create separate institutions which, through their special organizations, would be in closer contact with and would have a more intimate approach to, those foreign demands for credit. In not a few cases German banks participated (Darmstadter and National Bank, Deutsche Bank, Direction der Disconto-Gesellschaft, Mendelssohn & Co). They also generally originate the credits which are granted by the Amsterdam companies on their recommendations. These banks are truly international: among their founders we find banks from Holland, Germany, England, Sweden and Switzerland. Attention once more was centered on Amsterdam, the international importance of which became almost confirmed by the participation of so many and so widely different, international banks.

However, though as tools of the market they are very efficient and tend to give it a greater flexibility, these newly created companies did not bring about greater power of absorption of the acceptance market, which is the first requirement for a well developed financial center. As pointed out before, the market temporarily received support from German capital, but nevertheless large amounts of acceptances had to be rediscounted with the Nederlandsche Bank or, as far as pound or dollar acceptances were concerned, with banks abroad. The international banks did, however, greatly contribute toward enlarging the international aspect of the Amsterdam market, and perhaps are the foundation on which an international acceptance market of a more permanent nature, may be built up. Since 1925 the market is again supported by foreign, this time, French funds.

Whether in the future funds will always be available to develop and maintain a discount market of international importance; also whether outside funds —first German, at present French—will any longer offer support, now that London is rapidly regaining its former importance, is largely a matter of speculation. It would imply a disengaging on the part of the banks and the public, from the securities market and a substitution of a well developed check and bank transfer system for the currency payment system now in use. A development along these lines is not altogether unlikely, though it would naturally be a very slow process.

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This doesn't look much like a bank, but it was once. Located at Caloma, near the scene of the first discovery of gold, this first bank in the State of California is one of the landmarks of Sacramento Valley. From such a humble beginning grew the great system of organized banking which serves California today.

INSTALMENT BUYING

[Continued from page 14]

That there is grave danger of insidious inflation by discounting the future beyond reasonable bounds cannot be successfully denied. The fact that the percentage of American commercial honesty is so very high is the great strength of the situation. It is safe to conclude that inherent honesty, while perhaps too often enthusiastic about future conditions may be trusted, with the aid of bankers' and merchants' wise counsel, not to overstep the bounds of conservative buying.

APPLY COMMON SENSE TO PROBLEM

Common sense methods must be appled to the solution of the problem. The desire of producers to sell, regardless of the buyer's ultimate financial progress must be guarded against, because it will prove a boomerang whch will negatively affect not only those who unwisely force sales through the power of easy terms rather than by the necessity for the merchandise, but it will also react to the great detriment of business conditions generally. Reasonable necessity on the part of the buyer for the merchandise, and not the desire of the seller to sell, should be the measuring rod with which to gauge the extension of the practice.

The American bankers may be safely trusted to keep out of their portfolios any undue volume of paper representing assets which diminish in value with greater rapidity than marks the liquidation of the loans.

Excessive growth of the practice will automatically correct itself in the writer's judgment because the minute that finance companies overstep the strict bounds of conservative practice, as interpreted by the bankers, that minute will they be unable to secure further credit accommodations, and their business will fall. The rapid elimination of many finance companies which have sprung up over the country during the last five years is a clear indication that the bankers have their eyes glued on the situation and are taking no chances. The largest and most successful finance companies know the potential danger of the situation, and one may be very sure that they are not going to jeopardize their credit by over-expansion.

Is it not safe to assume that in the purchase of really useful articles, the instalment plan is in the nature of a savings device? If love of home is causing millions of American families to own them for themselves on the partial payment plan, why is it not safe to conclude that the same lofty desire for accomplishment will prevail in furnishing that home by the same plan of partial payments? Any danger lies, not in the practice, but in the misuse or over-use of the practice.

The gravest danger is the power of *oversales persuasion* on the part of producers for a quick clean-up, on the erroneous theory that tomorrow will take care of itself. Left to its own devices, the common horse-sense of the average American family will correct many evils in the situation, but the bankers must help by taking a firm position.

The great growth in the savings accounts of the country, the phenomenal increase in life insurance figures, the greatly increased number of new homes and building and loan associations for their purchase, all show that American common sense is still in the saddle.

Let it be broadcast to those who are in undue haste to pluck tomorrow's profits today, that the ultimate financial destiny of America is in the factor of safety through reserves created for the unexpected contingencies of life and for our posterity's capital account. Let it be known that he who, for profits, perverts this great American desire for a *safe tomorrow* by unwise fanning of natural desires for possession, is an *economic traitor* to his country.

CLASSIFYING "RESERVE," "SURPLUS," AND "FUND" IN THE GENERAL LEDGER

[Continued from page 22]

ferred to the regular unappropriated surplus account. As a general rule no attempt is made to create a specific fund by segregating assets to the extent of the amount transferred from surplus. It is erroneous to designate reserves of this nature as "funds" because no "fund" can be created without setting aside specific assets.

LACK OF UNIFORMITY IN TREATMENT OF RESERVES IN BALANCE SHEETS

It is clear that the word "reserve" may have at least three different meanings. It may represent a shrinkage in asset value, an estimated liability, or appropriated surplus. Many business enterprises, including banks, make the mistake of adding all reserves to capital stock, surplus, and undivided profits in order to obtain net worth. There is a noticeable lack of uniformity in the treatment of reserves in the forms issued by banking supervisors for statements of condition (call reports) and in the forms of balance sheets which are included in reports of examination. In some instances all reserves are added to the balance of undivided profits account in order to determine total undivided profits. In other instances reserves for interest and taxes are shown as liabilities but reserves for depreciation are included in the undivided profits section. It would obviously be improper to charge a proportion of interest and taxes against earnings throughout the year in order to determine true net earnings on an accrual basis and to add the reserves for interest and taxes to undivided profits when statements are prepared. The net result would be the same as if no notice had been taken of the accrued liability for interest and taxes. Such accounts as reserves for depreciation on building, vault, and equipment represent shrinkages in asset values and should be deducted from the asset accounts to which they apply. If two banks had the same amount of profits and depreciation and one credited depreciation to the asset account while the other credited a reserve for depreciation account it would be ridiculous to say that the undivided profits of the latter were larger than the undivided profits of the former.

A reserve for depreciation should always be thought of as a shrinkage in value resulting from the use of a fixed asset. Depreciation is an operating expense and should be deducted from gross profit before net profit is stated. In a manufacturing enterprise depreciation is a part of the manufacturing cost of the finished product because machinery and other assets are used up in manufacturing the finished product just as surely as raw material is consumed. For this reason the statement often heard that net profits before depreciation were a certain amount is misleading for the inference, to some people at least, is that the deduction of depreciation is a voluntary matter.

When the Federal excess profits tax was in force several years ago the amount of excess profits was determined by deducting from total profits a certain percentage of invested capital. Invested capital was the excess of assets, properly valued, over liabilities or, to state it differently, the total of capital stock, free and appropriated surplus, undivided profits, and profit and loss account, properly adjusted. Not only was a reserve for depreciation not included in invested capital but if no depreciation had been taken in account the Internal Revenue Department reduced invested capital by the amount of accumulated depreciation which should have been set up and assessed additional taxes on the basis of the corrected invested capital. In some instances this placed the boards of direc-

When Boys were Operators

ENDLESS uproar marked the telephone central office when boys were operators. Even with discipline at its best, the office was filled with confusion, particularly when traffic was heavy. The youthful switchboard guardians usually shouted to each other and to subscribers.

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The central office equipment of the Bell System alone represents an investment of more than $600,000,000. Included in the telephone property are 1,900 buildings, owned by the Bell System, representing, with the land, a $248,000,000 investment.

This plant and the nation-wide service it provides underlie the securities of the Bell System.

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 booklet, "Some Financial Facts."

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tors in embarrassing positions for after fixed assets were properly depreciated not only was all surplus wiped out but it was shown that capital stock had been impaired by the payment of dividends.

TREATMENT OF THE TERM "FUND"

A fund may be defined as a group of assets brought together for a specific purpose. Examples are sinking fund, self insurance fund, and pension fund. Corporations frequently float bond issues under a mortgage agreement providing that a certain sum be paid over to a trustee each year out of profits in order that the trustee may have sufficient cash on hand at the maturity of the bonds to redeem the entire issue. The trustee may be empowered to invest the cash paid to him in securities of a certain class or he may be required to hold the cash on deposit. At the end of each year the corporation charges "sinking fund" and credits cash for the amount of the payment and also charges profits and credits "reserve for sinking fund" for a like amount. Sinking fund is an asset of the corporation and should be shown as an asset in the balance sheet. Reserve for sinking fund represents appropriated surplus and should appear in the net worth block in the financial statement. It is to be noted, however, that a reserve for sinking fund differs from the reserves mentioned above as constituting appropriated surplus in that it cannot be transferred back to surplus account until the bonds have been retired—that is if the mortgage agreement provides that the sinking fund be created *out of profits*. When the bonds have been redeemed, outstanding bonds account is charged and sinking fund account credited. The purpose of the sinking fund is to have sufficient cash available to redeem the bond issue while the reserve for sinking fund makes it impossible for the corporation to disburse all profits in the form of dividends. If a sinking fund but no reserve for sinking fund were set up there would be a possibility that all profits would be distributed as dividends and that payments to the sinking fund would seriously impair the working capital. If a reserve for sinking fund but no sinking fund were utilized all profits could not be distributed to stockholders but they could be so invested in plant and other fixed assets that sufficient cash would not be available to pay off the bonds when they matured. During the operation of the sinking fund, the balance of the reserve for sinking fund account would represent the amount of profit which has been impounded for sinking fund purposes. After the bonds have been redeemed the balance of "reserve for sinking fund" account may be transferred to surplus account or distributed as dividends at the discretion of the directors.

While the main types of reserves have been discussed there is still another class of reserve which is sometimes referred to as "unrealized profit reserve." The usual procedure in connection with fixed assets is to carry them on the books at cost less a reasonable amount of depreciation. However, it is sometimes deemed advisable to write such accounts up to the market value of the assets. Such a course is not particularly objectionable if the corresponding credit be kept out of the free surplus account for it would be poor business policy to pay cash dividends out of surplus created in this manner. The credit, if resulting from an appraisal of plant, is often made to an account called "reserve for appreciation of plant" though a better procedure would be to credit "unrealized increment in plant value" or "appreciation of plant" and thus eliminate the use of the word "reserve" in this connection.

GOLD STANDARD PRESAGES ERA OF DEVELOPMENT IN CANADA

By J. W. Tyson

THE first of July finds Canada back on a gold basis. The change is largely technical, as the Canadian dollar has for months been about par and gold reserves and the international trade situation have warranted a resumption of gold payments. However, the official declaration of the gold standard has a not unimportant sentimental effect which should be felt both at home and abroad. Canada with her vast resources of forest wealth, minerals and unoccupied agricultural land is seeking to attract foreign capital and her re-establishment among the nations of the world on a gold basis of finance should add to her prestige in the eyes of foreign investors.

Leading banking authorities have advanced diverging opinions as to the advisability and the advantages of returning to the gold standard. Nor can it be said that there is victory for either faction in the present decision, because that decision has been delayed after it might have been possible to take the step. The favorable trade balance, for instance, is not a new development because the general trade returns have shown an excess of exports over imports for the last five fiscal years; in fact the fiscal year ending during the deflation of 1921 was the only year in the last eleven in which imports were larger than exports. During the last year or so Canadian exchange has for the most part been at par or a little above. Sometimes gold has been shipped from New York to Canada and sometimes the movement has been in the opposite direction. More recently shipments have been toward the Dominion. Meanwhile the condition of the gold reserve in Canada has remained satisfactory and the latest figures indicate a ratio of approximately 56 per cent. of gold to the total note circulation.

FAVORABLE TRADE POSITION

The trade position of the country for the last three years is summarized as follows:

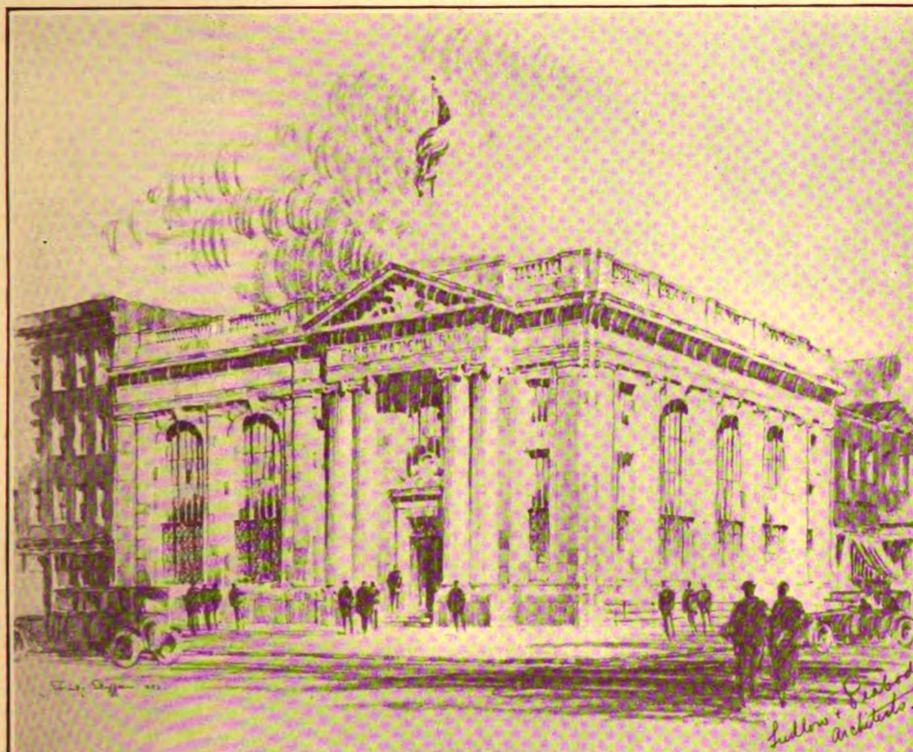
	Imports	Exports
1924	$885,358,688	$1,053,953,665
1925	795,864,047	1,092,551,741
1926	936,099,334	1,328,743,664

	Export Balance
1924	$168,594,977
1925	296,687,694
1926	392,644,330

The return to the gold standard should prove opportune at this time in view of indications that the country is entering upon an era of development which has been compared to that of twenty years ago. Not since that time have there been so many large scale projects to develop natural resources—particularly of mine and forest. In fact at no previous time in Canada's history has there been such concerted action to bring into service the unexploited potential wealth of the country.

The mineral development, the prosperity of the pulp and paper industry and the improved conditions in agriculture as the result of last year's satisfactory crop have been having their favorable effect on general business conditions. Such indicators as car loadings, grain receipts, building figures, railway earnings, bank clearings, etc., are all showing substantial increases over a year ago. There are, however, some disquieting features. The Federal Government's budget announcement regarding reduced tariffs, particularly on automobiles, has been greatly modified by amendments and by

[Continued on page 102]



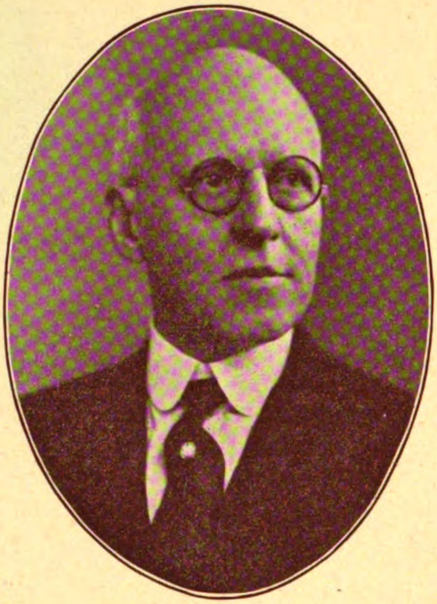
Enlarged Banking House of The First National Bank of Hoboken, New Jersey

SOME years ago, it became evident that the building of The First National Bank of Hoboken, N. J., would have to be enlarged in order to take care of the banking needs of its constantly increasing number of depositors and safe deposit customers. Accordingly, the directors bought the adjoining property on Newark Street, east of the bank, plans for an addition to conform with the architecture of the main building were ratified, and building operations started last fall.

Architecturally, the exterior of the old bank was impressive and dignified, and the designers, therefore, felt that its columnar and pedimented treatment should be the dominant feature of the extended facade. In remodeling its banking quarters, however, The First National Bank was faced with the problem of not only adding to its banking house, but at the same time continuing its business activities.

To enable the bank to carry on business continuously, two operations were, therefore, necessary, i. e., the erection of the addition, and its oc-

CARL M. BERNEGAU
Vice-President



WILLIAM W. YOUNG
President

HERMAN GOELZ
Vice-President

WILLIAM H. DeVEER
Cashier

WILLIAM MULLER, Jr.
Assistant Cashier

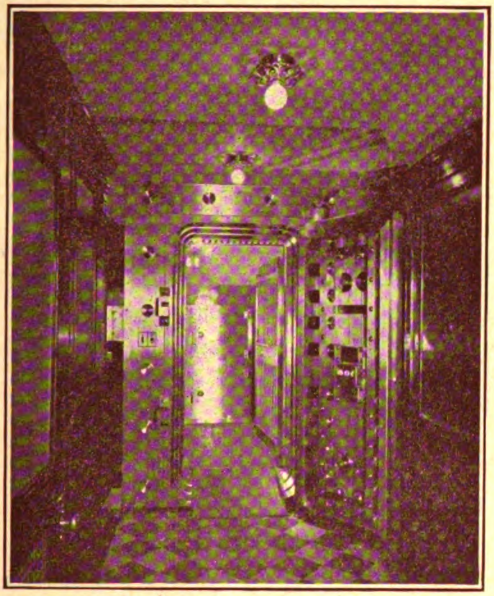
cupancy by its officers and employees during the reconditioning of the older structure, which, when completed, was combined with the new wing, producing as spacious and modern a banking room as may be seen in the state. This plan was carried to a successful conclusion by Architects Ludlow and Peabody, in conjunction with the general contractor, Walter Kidde & Company, Inc., both of New York City. The First National Bank, which has been doing business in the City of Hoboken for almost seventy years, is one of the most prosperous banking institutions in the State of New Jersey. It was organized under the name of The Hoboken City Bank in 1857 with a capital of $50,000.

The first directors were: William Cooper, Louis Becker, F. B. Carpenter, William G. Plummer, J. D. Littell, J. W. Stickler, E. Montague, Robert Hankins, E. DuBois, John Gardner, B. S. Taylor, J. W. Morton, S. B. Jessup, W. W. Shippen, Samuel R. Syms, Frederick Baare and Charles T. Perry.

An immediate success, The Hoboken City Bank continued under that name until 1865, when it was converted into a national institution under the National Bank Act and assumed its present title, The First National Bank of Hoboken.

Today the bank has total resources of over $15,000,000, while its capital, surplus and undivided profits amount to over $1,650,000. Since it became a National Bank, its net profits have been $2,768,000 and it has paid to the stockholders in dividends $1,672,000.

The present head of the bank is William W. Young, who was elected to the presidency upon the death of former President William Shippen in 1922. Mr. Young is a graduate of the Orange High School, Orange, N. J., and entered business life in lower Wall Street in the wholesale coffee market. At the age of 21 he was elected to membership in the New York Coffee Exchange where he remained for several years. He then came to The First National Bank in a temporary accounting capacity in charge of the general books. Soon after he was made assistant cashier and in 1908 was elected cashier. He was subsequently made vice-president and in 1922 president. Mr. Young is also chairman of the Board of Directors of the New York Wire & Spring Company, and a member of the Boards of the Hoboken Land & Improvement Company, as well as Campbell Stores, all of Hoboken.



THE MOSLER SAFE DEPOSIT VAULT

Carl M. Bernegau, vice-president, was born in Germany and educated at the "Gymnasium" of Cologne and Wesel. He came to the United States in 1888, entering the employ of the Keuffel & Esser Company in 1890. In 1897 he was made assistant treasurer, in 1902 treasurer and in 1908 vice-president and treasurer. He has been a director of The First National Bank since 1907 and of the New Jersey Title Guarantee & Trust Company of Jersey City since 1923.

Herman Goelz, also vice-president, was born in Hoboken. He attended the city schools, graduating from Hoboken High School in 1886, and from Packard's Commercial School, New York, in 1887. For the next two years he was with the Germania Fire Insurance Company, and in July, 1889, entered the employ of The First National Bank. In 1919 he was made an assistant cashier, cashier in June, 1922, and vice-president in January, 1924.

William H. DeVeer, cashier, is a native of Hoboken and a graduate of the local schools and Eagan Business College. He had early banking experience with several New York banks and later studied commercial law and accountancy at Pace Institute, New York City. He came with The First National Bank as auditor in 1911, was made assistant cashier in 1922 and cashier in 1924.

William Muller, Jr., assistant cashier, is also a native of Hoboken.

TABLE SHOWING GROWTH OF THE FIRST NATIONAL BANK OF HOBOKEN BY 10-YEAR PERIODS FROM 1873 TO 1925

Condensed Daily Average

	1873	1883	1893	1903	1913	1925
Loans & Discounts..........	$277,500	$524,100	$543,200	$1,361,000	$2,806,100	$6,881,800
Bonds, Securities, Etc.......	128,000	219,700	934,100	1,132,200	1,555,000	6,046,200
Real Estate................	67,800	44,400	40,000	75,000	199,100	326,400
Total Resources............	744,700	1,030,400	1,900,300	3,159,300	5,611,500	14,829,300
Capital....................	110,000	110,000	110,000	110,000	220,000	500,000
Surplus & Undivided Profits.	64,500	74,000	340,600	517,300	668,900	1,142,400
Deposits...................	473,000	748,600	1,303,900	2,414,200	4,510,600	12,553,100

He attended public school and later private school and the Coleman's Business College of Newark. He entered The First National Bank as assistant bookkeeper in 1888 and has served from time to time in all its various departments. He was made assistant cashier in 1924 and at present has charge of the paying department.

DIRECTORS

ALBERT C. WALL,
Wall, Haight, Carey & Hartpence.

CARL M. BERNEGAU,
Vice-President, Keuffel & Esser Company.

LOUIS FERGUSON,
Vice-President, Ferguson Bros. Manufacturing Company.

WILLIAM W. YOUNG,
President

ARCHIBALD M. HENRY,
President, National Bank of North Hudson.

HENRY A. GAEDE,
Gaede & Gaede.

A. C. HUMPHREYS, M. E., E. D., Sc. D., LL. D.,
President, Stevens Institute of Technology.

GUSTAVUS E. ZIPPEL,
Express and Milk Traffic Agent, D. L. & W. R. R.

EDWIN A. HARRISS,
Vice-President, R. B. Davis Company.

STANLEY M. RUMBOUGH,
Treasurer, White Metal Manufacturing Company

H. OTTO WITTPENN,
President, Hoboken Land & Improvement Company.

ANDREW FLETCHER, JR.,
W. & A. Fletcher Company.

BANKING AND COMMERCIAL LAW

[Continued from page 35]

bill of lading which constituted the evidence of title to the consignment would not be delivered before the draft was paid.

The intervener bank is one of three things: (1) A simple collector or agent of the drawer (defendant, Emerson & Co.); (2) an absolute purchaser and owner of the draft; or (3) a conditional owner thereof. Whether the bank is a simple agent for collection, or the absolute owner, necessarily depends upon the circumstances of the transaction. The intention of the parties must be considered. The record does not show that there was any agreement or conversation between defendant-drawer and the intervener bank at the time the draft was deposited, but the evidence is conclusive that the intervener bank gave to the defendant full credit at the time of the deposit.

The numerical weight of authority is to the effect that, when a person brings a draft to his bank, and said draft is made payable to the bank, or is unrestrictedly indorsed to it, and requests that the amount thereof be put to his checking account and subject to his personal check, and the bank complies with the request, and nothing more appears, it will be conclusively presumed that the bank has become the unqualified and absolute purchaser and owner of the draft, and consequently the owner of any proceeds derived therefrom. This theory of the law is in harmony with the well-accepted canons of business. It is the natural construction of the action of the parties themselves, and the rule results in fixing definitely the relations of the parties, which is no small virtue in the realm of law. See 3 R. C. L. 524; Vickers v. Machinery Warehouse & Sales Co., 111 Wash. 576, 191 P. 869; National Bank of Webb City v. J. H. Everett & Son, supra; Hurst-Boillin Co. v. Kelly, 146 Tenn. 251, 240 S. W. 771; Merchants' National Bank of Indianapolis v. Parker, 142 Ga. 265, 82 S. E. 658; Anderson et al. v. Keystone Chemical Supply Co., 293 Ill. 468, 127 N. E. 668.

Under the facts in the instant case, the legal principle herein announced is controlling. Acme Hay & Mill Feed Co. v. Metropolitan Nat. Bk., 198 Iowa, 1337, 201 N. W. 129. The drawer of the draft was a regular customer of the intervener bank, and had been for twenty years. The draft was payable to the bank, and was regularly deposited by the drawer. Credit was received on the books of the bank. The defendant (drawer) in the regular course of dealing with the bank not only had the right to draw against this deposit in his name, but, in fact, did check against it, and exhausted, within three days after said deposit was made, all of the proceeds, together with other funds then on deposit belonging to the defendant.

What evidence is claimed by plaintiff upon which a conflict is predicated? Does the fact, as suggested by plaintiff, that the draft was forwarded by the intervener to the First National Bank of Dubuque with a letter for collection tend to rebut the claim of ownership on the part of the intervener? We think not. The intervener, at the time that it forwarded the draft to Dubuque bank, did not state or advise that it was for collection on behalf of the defendant. The intervener, at the time the draft was forwarded, had paid full face value for it, and was entitled, as a matter of law, to the proceeds as the owner thereof.

One further evidential claim is made by plaintiff. It appears that, after the consignment of potatoes reached its destination, some controversy arose between the purchaser, Hanson & Son, and the consignor, Emerson & Co., relative to the quality of the potatoes shipped. In order to settle this difficulty, the consignor wired the consignee: "Instructing

bank to reduce draft seventy-five cents cwt." The intervener, acting upon the instruction of the drawer, did reduce the draft, and the checking account of Emerson & Co. at the bank was surcharged to that extent. This was a mere matter of subsequent agreement. It was an accommodation by the bank to a customer. It was not legally obligated to respect the instructions, and was in no manner bound by the agreement relative to a reduction between the consignor and consignee. The bank, by this method, recognized a convenient means for the settlement of a controversy with which it was not concerned. It does not tend to prove that the defendant, as drawer retained any control over the draft, thereby negativing the alleged ownership of the draft by the intervener bank.

II. One further error is assigned which merits brief attention. Appellant complains that a formal verdict was not returned by the jury under direction of the court, and argues that, in the absence of a verdict, there is nothing upon which to predicate the judgment.

The judgment in this case rests, not upon the decision of a question of fact, but conclusively upon the decision of a question of law. The trial court adjudged that the intervener was entitled, as a matter of law, to the proceeds of the draft in question. The reception and recording of a verdict under the circumstances would have been an idle ceremony. Bee Building Co. v. Dalton, 68 Neb. 38, 93 N. W. 930, 4 Ann. Cas. 508; Kirshenbaum v. Mass. Bonding & Ins. Co., 107 Neb. 494, 186, N. W. 529.

Under the circumstances the court had the power to frame a verdict and direct the jury to return same into court. It also had the power in a more direct manner to reach the same result by finding the fact under the undisputed evidence for itself, and entering judgment accordingly. Gammon v. Abrams, 53 Wis. 323, 10 N. W. 479; 38 Cyc. 1588.

We view the act of the court in entering judgment without a formal verdict as, at most, a harmless irregularity. Duluth Chamber of Commerce v. Knowlton, 42 Minn. 229, 44 N. W. 2. It worked no prejudice to the plaintiff.

The judgment entered is affirmed.

PAYMENT OF TAX WITH CHECK

Moritz v. Nicholson, Supreme Court of Mississippi, 106 So. Rep. 762.

The payee of a check is required tc present it to the drawee bank for payment within a reasonable time after he receives it. As a general rule this means that he must present it not later than the next business day after he receives it. If he fails to do so and the drawee bank fails before the check is presented, the drawer will be discharged from liability and the drawee loses his right to call upon the drawer to pay the debt for which the check was given.

This rule, however, does not apply in the case of a check given in payment for taxes. Taxes are payable in money only and if the tax collector receives a check for taxes his failure to present it for payment promptly will not relieve the drawer from liability for the taxes even though the bank fails while the check is in the tax collector's hands.

Action by C. E. Moritz against L. M. Nicholson, sheriff and tax collector, and others. Judgment for defendants, and plaintiff appeals. Affirmed.

OPINION

ANDERSON, J.—The appellant, C. E. Moritz, brought this action in the circuit court of Washington county against appellee L. M. Nicholson, tax collector of said county, and the sureties on his official bond as such tax collector, under the authority of section 4336, Code of 1906 (Hemingway's Code, § 6970), to recover the penalty provided by said statute for the unlawful sale by the appellee as such tax collector of appelant's land for its taxes after the taxes thereon had been paid. By agreement of the

parties the cause was tried by the circuit judge acting both as judge and jury. From that judgment appellant prosecutes this appeal. The following facts were agreed on by the parties:

"(1) That L. M. Nicholson, during all times mentioned in the pleadings, was the duly elected and acting sheriff and tax collector of Washington county, Miss., and that the American Surety Company and the United States Fidelity & Guaranty Company were surety companies authorized to do business in said state, and were the proper and legal sureties on his official bond as such sheriff and tax collector.

"(2) That said C. E. Moritz, on March 16, 1921, during business hours, delivered to said L. M. Nicholson, sheriff and tax collector, his check on the Commercial Savings Bank of Greenville, Miss., for the sum of $169.89, in payment of taxes due on the property in question for 1920; the total amount due for said taxes, including damages and costs, amounting to $155. This check was received by the said sheriff and tax collector, was entered on his cash book, tax receipt No. 4449 issued and delivered to him, and the sum of $14.89 excess refunded to plaintiff in cash. Said sum of $14.89 was the same day, March 16, 1921, deposited to the credit of plaintiff by his agent in said Commercial Savings Bank.

"(3) That said check to said sheriff and tax collector was presented to said bank for payment on March 18, 1921, during banking hours, but after it had closed at 1.50 p. m. and said bank went into the hands of a receiver on March 18, 1921, at 1.50 p. m.

"(4) That the balance to the credit of said C. E. Moritz in said bank on March 16, 1921, was $962.23, and this amount remained to his credit throughout the 16th, 17th, and 18th of March.

"(5) That on May 2, 1921, the board of supervisors, by order spread on its minutes in proper form, directed said sheriff and tax collector to sell said property on June 6, 1921, for non-payment of taxes, after publication in due and legal form and for sufficient time, said sheriff and tax collector sold said property for the non-payment of said taxes.

"(6) That said Commercial Savings Bank was not reorganized for business until June 8, 1921, after the day of the sale.

"(7) That Exhibits 1, 2, 3, 4, and 5 passed between the parties, their agents, or attorneys, relative to the subject matter of this suit."

The statute (section 6970) under which the action was brought is in the following language:

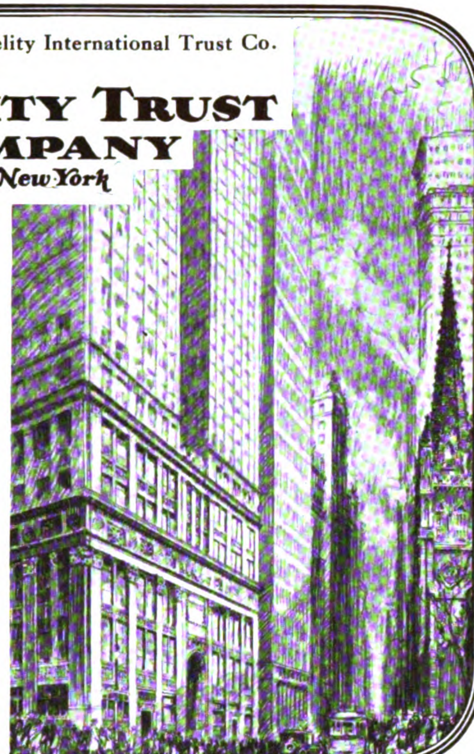
"If a tax collector sell any land after he shall have received the taxes due thereon, he shall forfeit to the purchaser the money back and twenty-five per centum thereon, and to the owner three times the amount of taxes, who may severally recover the same on his bond and all damages sustained thereon."

Appellant's contention is that appellee, and not appellant, should suffer the loss caused by the failure of the bank on which appellant's check for taxes was drawn; that under the law appellee's delay in presenting the check to the bank for payment before the failure of the bank relieved appellant from the payment again of the taxes; in other words, that the taxes due by appellant on his land were legally paid, and appellee, as tax collector, therefore, had no right to sell it for its taxes.

On March 16, 1921, appellant gave appellee as tax collector his check on the Commercial Savings Bank of Greenville for the sum of $169.89, the amount necessary to pay the state and county taxes on his land. The Commercial Savings Bank was located in the City of Greenville, which was also the county seat of Washington county. The Commercial Savings Bank and appellee's office as tax collector were therefore situated in the same city. Appellee accepted the check in full satisfaction and payment of appellant's taxes, and issued to him a tax receipt therefor in the usual form. The check was held by appellee throughout March 16th and 17th, and until after business hours on March 18th. After business hours on March 18th, the bank, being insolvent, was taken charge of by a receiver under the law. For that reason appellee could not realize on appellant's check.

Undoubtedly it is the law that generally, in the absence of special circumstances excusing delay (and there is no pretense of any excuse here), the reasonable time for presentment of a check on a bank where the person receiving the same and the bank on which it is drawn are in the same business community is not later than the next business day after it is received. Fortner v. Parham, 2 Smedes & M. 151; 7 Cyc. 977, 978. But that principle has no application to the facts of this case, because the check here was for the payment of state and county taxes. Section 4319, Code of 1906 (Hemingway's Code, § 6953), makes provision for what shall constitute a valid payment of such taxes. In substance, it provides that all legal tender money issued under the authority of the Federal Government shall be received in payment of taxes due the state, and such legal tender money and warrants drawn on the county treasury shall be received for county taxes.

The courts of this country generally hold, in fact, we know of no authority to the contrary, that, unless otherwise provided by statute, taxes are payable in money only; that the failure of the tax collector to present a check given him in payment of taxes resulting in its nonpayment because of the failure of the bank on which it is drawn does not have the effect to relieve the taxpayer; that the acceptance of a check by a tax collector for the amount of the taxes of the drawer at most is only a conditional payment of the taxes; and that the taxes



are not paid until the check is paid; and, if the check is never presented, or if presented it is dishonored, that the lien for the taxes on the property of the taxpayer continues; that in such case the tax collector accepts the check of the taxpayer for the convenience of the latter, and, if for any reason whatever, whether through fault of the tax collector or other cause, the check is never paid, the taxes and lien continue. The principle is founded in their public policy. It is for the security and preservation of the public funds. McWilliams v. Phillips, 51 Miss. 196; Cox v. Lincoln County, 2 Miss. Dec. 128; 37 Cyc. 1160, note 42; 37 Cyc. 1164, note 64; Johns v. McGibben, 156 Ill. 71, 40 N. E. 449; Moore v. Auditor General, 122 Mich. 599, 81 N. W. 561; Houghton v. City of Boston, 159 Mass. 138, 34 N. E. 93; Koones v. District of Columbia, 4 Mackey (15 D. C.) 54 Am. Rep. 278.

Affirmed.

SURETY COMPANY LIABLE ON CASHIER'S FIDELITY BOND

Federal Surety Company v. State, Supreme Court of Oklahoma, 243 Pac. Rep. 936.

The defendant surety company issued a bond to the plaintiff bank insuring it against loss through the "fraud, dishonesty, forgery, theft, larceny, embezzlement, wrongful abstraction, or wilful misapplication" of its cashier.

The cashier's brother, although he had no funds on deposit in the bank, drew some forty checks on the bank which he delivered to the respective payees in payment for grain purchased from them. When the checks were presented to the bank, the cashier honored them either by paying cash or by crediting the amount against promissory notes held by the bank on which the payees were liable. Subsequently, the bank became insolvent. In this action it was held that the surety company was liable to the bank for the amounts thus wrongfully paid out or credited by the cashier.

Action by the state, on the relation of Walcott, Bank Commissioner, and another, against the Federal Surety Company, surety on the bond of S. W. Brown, cashier of the First State Bank of Pensacola, to recover for an alleged misapplication of funds of the bank by such cashier. Judgment for the plaintiffs, and defendant appeals. Affirmed.

OPINION

RUTH, C.—This action was brought by the defendants in error to recover from the plaintiffs in error a sum of money, being the money of the First State Bank of Pensacola, Okla., and alleged to have been misapplied by one Sherman William Brown, cashier of the last said bank. It appears S. W. Brown was cashier of the First State Bank of Pensacola, and the Federal Surety Company was surety on his bond. The condition of the bond was as follows:

"We * * * bind ourselves to pay to First State Bank of Pensacola, Oklahoma, * * * such pecuniary loss * * * as the employer shall have sustained * * * by any act or acts of fraud, dishonesty, forgery, theft, larceny, embezzlement, wrongful abstraction, or wilful misapplication."

The foregoing is the only portion of the bond set forth or referred to in the record or the briefs.

After S. W. Brown became cashier of the Pensacola bank, his brother, J. J. Brown, opened up a grain elevator in Pensacola and would purchase grain from the farmers in that vicinity and give what is called a "bill of exchange," but in reality a check, on the First State Bank of Pensacola, for the purchase price of the grain, and these checks would be presented at the bank and cashed by S. W. Brown, notwithstanding J. J. Brown did not have a deposit in the bank sufficient to pay these checks and in fact was "in the red" the major portion of the time during these transactions. There were some forty of these "bills of exchange" or checks of J. J. Brown, cashed by S. W. Brown, identical in form, and it will be necessary to set out but one as follows:

"Bill of Exchange.

"First State Bank, Pensacola, Oklahoma, 11—17—21.

"On demand pay to the order of A. R. Jones, $70.54, seventy and 54/100 dollars.

Gross . . .20,470 lbs. Kind of grain
Tare . . . 918 lbs. Oats.
Net . . . .11,285 lbs.

"A. R. Jones.

"To John J. Brown, Pensacola, Oklahoma.

"Accepted—Pensacola, Oklahoma, 11—17—21.

"John J. Brown, by J. J. Brown."

Some forty of these worthless checks were cashed by S. W. Brown, cashier, out of the funds of the First State Bank of Pensacola, notwithstanding J. J. Brown had no money in the bank and during the greater portion of the time J. J. Brown's account was actually overdrawn.

The bank became insolvent and was closed by the bank examiner, who, under order of the court, turned over the assets of the defunct bank to the First State Bank of Vinita under an agreement, which it is not necessary to discuss in this opinion.

The plaintiff in error contends that these acts on the part of S. W. Brown do not constitute breaches of duty on the part of S. W. Brown, or breaches of the conditions of the bond executed by Federal Surety Company, as surety, and further contend that even if the transactions complained of were in fact breaches of duty on the part of S. W. Brown, and breaches of the conditions of the bond, there can be no recovery on account thereof, because the proof failed to show that the First State Bank of Pensacola or the plaintiffs, or either of them, were damaged thereby.

With this we cannot agree. The evidence discloses S. W. Brown did pay out some cash on these checks, and it further appeared there were some thirty different farmers to whom these checks were given, and a number of these farmers were indebted to the bank, and the bank held their notes for the amounts, and, when a farmer who was indebted to the bank presented one of J. J. Brown's worthless checks, the brother, S. W. Brown, would credit the farmer's notes with the amount of the check and charge the check against the account of J. J. Brown, who, as already stated, had no money in the bank to meet these checks.

By thus manipulating the accounts, S. W. Brown was transferring the indebtedness to the bank from the shoulders of some thirty farmers, who were raising crops each year, to the shoulders of his brother, who, so far as the record shows, was wholly insolvent and was becoming more and more involved each day and was conducting a losing business from the time he took over the elevator until the bank was closed. There is nothing in the record to show any one of these thirty farmers were insolvent or that the amounts owed by them to the bank could not have been collected, and the bank would certainly have been in a better position to have collected from thirty farmers than it was to have collected the total amount from the insolvent J. J. Brown.

Section 4143, C. O. S. 1921, provides as follows:

"Any bank officer or employe who shall pay out the funds of any bank upon the check, order or draft of any individual, firm, corporation or association, which has not on deposit with such bank a sum equal to such check, order or draft, shall be personally liable to such bank for the amount so paid, and such liability shall be covered by his official bond."

It is immaterial by what name J. J. Brown designated the orders on the bank to pay the money to these thirty farmers; whether he called them bills of exchange, checks, drafts or what not, the fact remains that they were orders on the First State Bank of Pensacola to pay the amounts named in the orders, and the brother, S. W. Brown, as cashier of the bank, paid these checks or orders as presented, knowing them to be worthless and knowing J. J. Brown did not have money in the bank to his credit to pay the same.

The surety company insists that, as the trial court found the cashier did not personally profit by any of the transactions, there was no fraud committed, and therefore it should be absolved from liability on the bond. The contention is without merit, as the statute (section 4143, C. O. S. 1921, supra), does not refer to fraud, but provides that the surety on the bond shall be liable if the principal pays out any of the funds of the bank upon any "order," etc., of one who has not sufficient money in the bank to meet and pay such order.

It is not denied, and it is in fact admitted by the cashier that he did so pay out the money of the bank, both by parting with the actual cash of the bank and by canceling what might have been perfectly good securities, to wit, the farmers' notes, and receiving nothing in exchange therefor, as J. J. Brown did not even give the bank his note to cover the amount of the orders; nor did he, so far as the record discloses, ever orally promise to repay the bank; nor did he direct the amount of the orders be charged to his account, and for the very good reason that his "account" was usually overdrawn.

It is contended the bond did not cover such proceeding or action on the part of the cashier, but, by an examination of the condition of the bond as hereinbefore set forth it will be observed the bond specifically insures against "wrongful abstraction or wilful misapplication" of the funds of the bank, and, under the admitted facts in this case, the acts of the cashier constitute a wilful misapplication of the funds of the bank for which the surety on the official bond of the cashier is liable.

For the second cause of action, it appears one A. D. Harrison, who was a brother-in-law of S. W. Brown, the cashier, drew a check on the First State Bank of Pensacola, but, having no account with the bank, S. W. Brown refused to pay the check, and S. W. Brown's wife, a sister of A. D. Harrison, called her other brother, W. M. Harrison, and obtained his permission to have the check charged to his account, which was accordingly done, and the cash paid to A. D. Harrison and charged against the account of W. M. Harrison, and then S. W. Brown drew a draft on A. D. Harrison through the First State Bank of Pensacola, and credited the amount to the account of W. M. Harrison, knowing full well the draft would not be honored, as A. D. Harrison had no funds, and after the draft was so "turned down" the accommodating cashier, brother-in-law of the Harrisons, carried the worthless draft as a cash item, and the record discloses that when W. M. Harrison, brother and brother-in-law, respectively, of A. D. Harrison and S. W. Brown, was so liberal in having the $100 check charged to his account, he (W. M. Harrison) was $144.96 overdrawn or "in the red," and this sum was a total loss to the bank and its depositors.

The third cause of action involved the misapplication of $150 of the funds of the insolvent bank. It appears that A. D. Harrison drew a draft for $150 on the McDaniel National Bank of Springfield, Mo., through the First State Bank of Pensacola. S. W. Brown, the cashier, cashed this draft, forwarded the same to the Springfield bank, where it was immediately dishonored, and returned to the Pensacola bank, and the cashier, S. W. Brown, carried it in the cash items of the bank and as part of its assets.

When the Pensacola bank was taken over by the bank commissioner of Oklahoma, there was found to be cash on hand to the extent of $6.62, and the record fails to disclose whether this sum was left there designedly or was overlooked by the Browns and Harrisons, but with this phase of the situation, we are not called upon to deal.

Neither the brief of the plaintiff nor defendant in error cites any case directly on the points contended for, and we have been unable to find any case in this state where this court has been called upon to pass upon this particular and peculiar manipulation of the funds of a bank, but, from the record, it is beyond question, and we so hold that these transactions constituted a "wilful misapplication" of the funds of the bank as specifically provided against by the terms of the bond, and the transactions were such as to make the surety liable under section 4143, supra.

Judgment was rendered against the defendant surety company in the sum of $879.18, and, finding no error in the record, the judgment of the trial court is affirmed.

FOREIGN TRADE HELPS BY BANKS

[Continued from page 36]

"A large number of foreign shipments are sent by parcel post. Where the units are small, as in our own case, it is very often cheaper to ship in this way than to pay the minimum freight charge. A parcel post package is delivered directly to the addressee and the shipper can have no string attached to it under the present regulations. He may draw a sight draft and send it in the same mail, but if the goods have been delivered the payment of the draft depends upon the good faith and honesty of the purchaser. Such a method certainly must present a temptation to a dealer who might be inclined to be unscrupulous. Even if he intended to pay eventually, there would be an opportunity to delay taking up the draft until a more convenient time. If, however, the package was in the custody of the bank and could only be obtained on payment or acceptance of the draft, I am sure better results for shippers would be obtained in a great many cases.

SUGGESTS INTERNATIONAL C. O. D. PARCEL POST

"Although it has nothing to do with the activities of our banks in exporting I should like to suggest the desirability of an international C. O. D. parcel post service. Such a service would accomplish the purpose of which I have just spoken, that is, of safeguarding shipments to customers of whose credit responsibility but little is known. The machinery is already provided and it would only be necessary to arrange for the collection of charges on delivery, the money to be returned to this country by international money order. Such a service would be even more secure than shipments in custody of banks, as it would have back of it the responsibility of the United States and foreign governments.

"These suggestions are not intended as a criticism of the banks which are backbone of our foreign trade. I have mentioned them as a possible improvement to a service which is far-reaching and almost invariably highly satisfactory."

CAPITALISM—OR WHAT?

[Continued from page 11]

savings, as soon as they are invested, become the means of developing industry, which, in turn, will lead to the employment of more men, the saving of more money, and the creation of more capital. No distinction is made between the laborer who saves out of his weekly wages and the business man who saves from his yearly salary because, from the point of view of capital, no distinction is possible. Both are capitalists, both save, and both invest their savings in industry. In the case of an investment in a savings bank or an insurance policy, the money is given to some one else to invest owing to a belief that his judgment is more reliable than that of the original investor. In these cases, too, the final result is the same as in the case of the man who himself buys shares in an industry.

There are millions of stockholders in the United States today. Each one is a capitalist. Each one is a part owner in industry.

CO-OPERATION BETWEEN CAPITAL AND LABOR

The industrial development of America is no longer a question of conflict, but of co-operation. The capitalistic system is a universal system which, instead of dividing mankind into two hostile classes, creates ultimately one class of mutually dependent shareholders. The president of the Federation of British Industries stated recently:

"In the United States co-operation between capital and labor seems possible, and the fatal doctrine that there is a necessary conflict of interests does not prevail. . . . This spirit alone goes far to explain the amazing increase in the efficiency of American production."

It is a spirit which we must and shall preserve. The relations between men, like the relations between nations, have become of a more helpful, friendly nature. This is a better world than it was fifty years ago. The writer believes that the lesson of co-operation learned in industry has had much to do with the new international brotherhood and the new concepts of social service that exist today. In this country we place tremendous faith in the ability of the individual; what one man can achieve is still a thing to which we dare not set limits. But we have come to understand that the supremacy of that achievement is only reached when the individual co-operates with his fellow-worker on behalf of the general welfare of mankind.

SERVICE CHARGE EXPERIENCE IN A SMALL BANK

SOME say that a service charge can be imposed only by the big banks which are fairly independent about deposits. Dan V. Stephens, president of the Fremont State Bank, Fremont, Neb., says he hasn't found it so. Fremont is a city of 12,000, and has three commercial banks. The Fremont State Bank started imposing a service charge on accounts with a daily balance of less than $50. This was on November 17, 1925. At that time the bank had 2589 checking accounts. By April 17, 1926, these accounts numbered only 2072. But the amount on deposit had risen in that period from $716,813 to $971,568. On November 17, 1925, the bank had 1453 accounts under $50 with total deposits of $21,232. These accounts dropped to 356 by April 17, 1926, but the total deposits dropped only to $13,441. These figures speak for themselves. A small bank can make a service charge and make it pay. Dan Stephens' bank has proved it.

HOW CONSOLIDATED BALANCE SHEETS ARE PREPARED

[Continued from page 65]

Assume that the statements of the three subsidiaries as of the same date, appeared as follows:

O. K. M. COMPANY

Assets	
Cash	$ 2,000
Merchandise	45,000
Plant	290,000
	$337,000
Liabilities	
Due parent company	$ 80,000
Miscellaneous	7,000
Total current liabilities	$ 87,000
Net worth	250,000
	$337,000

C. B. X. COMPANY

Assets	
Cash	$ 5,000
Receivables	40,000
Merchandise	200,000
Miscellaneous	2,000
	$247,000
Liabilities	
Due parent company	$130,000
Accounts payable	42,000
Total current liabilities	$172,000
Net worth	75,000
	$247,000

A. H. L. COMPANY

Assets	
Cash	$ 40,000
Merchandise	90,000
Due from parent company	130,000
Plant	120,000
Miscellaneous	5,000
	$295,000
Liabilities	
Accounts payable	$ 20,000
Mortgage	75,000
Total current liabilities	$ 95,000
Net worth	200,000
	$295,000

The amount shown in the statement of the parent company as, "Due to or from subsidiaries," should correspond with amount shown in the statement of subsidiaries as "Due to or from parent company." Therefore, by consolidating the statement of the parent company and its subsidiaries, these inter-company items would be eliminated. For example—in the case above, where the parent company shows $80,000 as "Due from O. K. M. Company," the O. K. M. Company would show $80,000 "Due to parent company." When the parent company statement and the O. K. M. Company statements were consolidated, these amounts would be eliminated. Ownership by the parent company in subsidiaries also cancels out in the consolidated statement. Where, as above, the parent company shows an investment of $250,000 in the O. K. M. Company, which is the entire net worth of the O. K. M. Company, this will entirely cancel out in the consolidated balance sheet. In order to gain a clearer picture of just what happens, we will consolidate the statement of the above three companies with the parent company one by one in order to see just what elimination and other changes take place. The first statement arrived at therefore, would be a consolidated statement of the parent company and the O. K. M. Company, which would be as follows:

ASSETS	
Cash	$ 62,000
Receivables	420,000
Merchandise	645,000
Due from subsidiaries	130,000
Investments in subsidiaries	177,000
Miscellaneous	10,000
Plant	290,000
	$1,734,000
LIABILITIES	
Due banks	$ 400,000
Accounts payable	280,000
Miscellaneous	7,000
Due to subsidiaries	130,000
Total current liabilities	$ 817,000
Capital	500,000
Surplus	417,000
	$1,734,000

It will be noted in this consolidated statement of the parent company and the O. K. M. Company that the same net worth is shown as is shown by the parent company alone. This is readily understandable when it is considered that the parent company carried in its assets as an investment item, the total net worth of the subsidiary. The net worth of a company represents the difference between its assets and its liabilities, and therefore, by adding the assets of the subsidiary to the assets of the parent company and the liabilities of the subsidiary to the liabilities of the parent company, and cancelling out the investment item which the parent company shows in the subsidiary as against a net worth of the subsidiary the same net worth will be shown. The item shown in this statement as due from subsidiaries, $130,000 is made up of $130,000 due from the C. B. X. Company and the investment in subsidiaries, $177,000 is made up of the parent company's investment in the C. B. X. Company of $75,000 and its investment in the A. H. L. Company of $102,000. On the liabilities side, the amount due to subsidiaries, $130,000, represents the amount due by the parent company to the A. H. L. Company. Consolidating the figures of the C. B. X. Company with the consolidated statement of the parent company and the O. K. M. Company the following statement is arrived at:

ASSETS

Cash	$ 67,000
Receivables	460,000
Merchandise	845,000
Investment in subsidiaries	102,000
Miscellaneous	12,000
Plant	290,000
	$1,776,000

LIABILITIES

Due to banks	$ 400,000
Accounts payable	322,000
Miscellaneous	7,000
Due to subsidiaries	130,000
Total current liabilities	$ 859,000
Capital	500,000
Surplus	417,000
	$1,776,000

The same rules apply here as in the previous two statements which were consolidated, but it will be noted now that there is no item, "Due from subsidiaries," in the assets the entire amount having been canceled out. The item "Investment in subsidiaries" has been reduced to $102,000, which represents the parent company's investment in the A. H. L. Company. The item on the liabilities side "Due to subsidiaries," $130,000, is the amount due the A. H. L. Company.

We will now proceed to consolidate the figures of the A. H. L. Company with the consolidated statement of the parent company, the O. K. M. Company and the C. B. X Company, and will arrive at the following consolidated statement, which is a consolidated statement of the parent company and all its subsidiaries:

ASSETS

Cash	$ 107,000
Receivables	460,000
Merchandise	935,000
Plant	410,000
Miscellaneous	17,000
	$1,929,000

LIABILITIES

Due to banks	$ 400,000
Accounts payable	432,000
Miscellaneous	7,000
Mortgage	75,000
Total current liabilities	$ 914,000
Minority interest in subsidiaries	98,000
Capital	500,000
Surplus	417,000
	$1,929,000

This eliminates all inter-company items and inter-company ownership, and shows a consolidated picture of the proposition in its entirety.

The item appearing in this consolidated statement, which may warrant particular explanation is the item of minority interest in subsidiary companies. In the case of the O. K. M. Company and C. B. X. Company, the parent company owns the entire subsidiary, whereas in the case of the A. H. L. Company the parent company only owns 51 per cent. of the subsidiary. Therefore, in preparing the consolidated statement of the parent company and all its subsidiaries, it is not proper to claim as a portion of the responsibility of the proposition in its entirety, that part of the net worth of the A. H. L. Company not owned by the parent company. Therefore, this 49 per cent. of the net worth A. H. L. Company, which is owned by someone outside of the controlling parent company, represents the minority interest in the A. H. L. Company, and an item is set up representing this interest. It would not be proper to call this minority interest a liability because it represents capital of a subsidiary, and the parent company is not responsible to the owner of this minority interest, except so far as the moral responsibility is concerned. In other words, it owns control of the subsidiary company and is more or less morally bound to see that the minority stockholders receive a fair deal. It is, therefore, proper that this minority interest should be set up in the form of a capital liability in the consolidated statement, although it should not be regarded as any part of the responsibility of the parent company.

This consolidated statement of the parent company and all its subsidiaries is the form of statement usually submitted to the bank, and in the past it has not been customary in many instances to furnish separate supporting statements, or the statement of the borrowing company, which is usually the parent company. Under the Federal Reserve Board ruling indicated above these separate statements of the subsidiaries and the parent company are required in order that the paper be eligible for rediscount.

It is interesting to note in connection with the above figures that the consolidated statement of the parent company with all subsidiaries shows $1,502,000 in current assets to pay a current indebtedness of $839,000, whereas the statement of the parent company alone shows $1,080,000 in current assets as contrasted to a current indebtedness of

$810,000. It is very common to see a a statement of a parent company and one subsidiary consolidated and the investments in other subsidiaries carried as an asset item, such as in the case of the O. K. M. Company and the parent company above. If the subsidiary happens to be particularly strong and in excellent current position, such a consolidated statement of the parent company and a strong subsidiary may bring about an excellent current position, which is not warranted.

Where the subsidiary has a particularly large fixed indebtedness against its plant, a consolidated statement of the parent company and the other subsidiary could be prepared merely showing the investment in this subsidiary as an asset, and therefore, no indication would be given of the fixed indebtedness. For example, in the above consolidated statement of the parent company, the O. K. M. Company and the C. B. X. Company, no mortgage indebtedness is shown, although the A. H. L. Company, another subsidiary, had a mortgage debt of $75,000, which appeared in the final consolidated balance sheet of all companies. On the other hand, in a consolidated balance sheet of a parent company and several subsidiaries a very weak company may be covered up by reason of a couple of strong ones. These features make it all the more desirable to have the separate statements and the Federal Reserve Board ruling forms a splendid basis for the request.

It might be well to say that many times the parent company will carry its investment in a subsidiary either above or below the value of the investment. The parent company may have purchased stock in the subsidiary at a certain price, say at book value, and since the purchase the subsidiary may have incurred considerable losses and the book value has been, consequently, considerably diminished. No adjustment is made on the books of the parent company with the consequence that the investment shown by the parent company in the subsidiary, is over-valued. Again, the parent company may have purchased the stock in subsidiary at book value, and the subsidiary may have since made considerable profits. The parent company, however, has not adjusted its investment in the subsidiary to present actual value, with the consequence that it is carried too low.

If the statement analyst is furnished with the separate statements of the parent company and subsidiaries, and sets about to prepare his own consolidated figures, he should first adjust the statement of the parent company so that these investment items will be eliminated in the consolidated picture. If the parent company owns seventy-five shares out of 100 shares of a subsidiary, and is carrying this stock at $200 a share, whereas it has a book value of only $100 a share; the statement of the parent company should be so adjusted. This will require that the item on the asset side of the parent company's statement show investment in the subsidiary reduced to $7500, and that the net worth be reduced a corresponding amount. If it is a case of writing up the investment, the procedure is the reverse. The matter of consolidating statements is not nearly so difficult as it at first sounds, and by close study of the above figures and consolidation, a good idea will be gained of the preparation of consolidated statements.

BANKS BECOME HOTEL AGENCIES

ANOTHER variant in "banking service" is being offered by the Wachovia Bank and Trust Company, and the First National Bank, both of Salisbury, N. C. Through arrangements with the United Hotels Company, and the American Hotels Corporation, customers of the banks may make reservations in any of the forty hotels owned by these corporations, through the banks. These hotels include the Roosevelt in New York, the Ben Franklin in Philadelphia, and the Olympia in Seattle.

SELLING THE INVESTOR AN INCOME

By Rudolph J. Eichler

ONE hears on every side reports of the great growth of investors in this country during the last ten years and the great work that has been done by investment banking organizations in developing a nation of bond buyers. It is, no doubt, natural that in this enormous development, conditions should arise that are detrimental to the business as a whole.

One condition is the tendency among bond houses to sell bonds to their clients, basing the argument on the attractive price of the bond and its future market possibilities, rather than on the basis of assured income at a certain yield on the investment. This practice unquestionably strikes at the very foundation of a sound investment business and its attendant evils are too well known to require much discussion.

It is a common practice for the average bond salesman to call his pet client on the telephone and say: "Good morning, Mr. Jones, we have a new issue this morning and it is exactly what you should have in your investment account. It is certainly a wonderful opportunity—a 6 per cent. bond at 95. Confidentially the bonds are all sold and are already above the original offering price. I am sure there will be three or four points profit in this deal for you immediately."

The result of this line of argument is very simple to forecast. Mr. Jones becomes a seasoned bond trader who buys and sells his issues purely on markets. Every bond salesman has clients of this type who are meal tickets for him, during the period of market advance, but a sad liability as soon as there is a tendency to decline. Everyone knows naturally, that markets do not continually move in one direction.

But Mr. Jones may be an ordinary investor who is not fully acquainted with the intricacies of bond markets. He may become interested and purchase the bonds on premises that are unsound from a purely investment viewpoint. Mr. Jones then becomes the sort of bond buyer who is rather disappointed with his purchase if the bonds do not immediately move up in the market. He becomes the sort of buyer who calls up his investment house and says: "What, haven't those bonds I bought two weeks ago moved up yet! What is the matter with them?"

If he does not buy at the time, he is liable to become imbued with the idea that his bond account should be a source of income from speculative profits as well as from interest. Thus is developed the type of buyer who approaches his investments from obviously a wrong standpoint; the type of buyer who hinders rather than assists the successful flotation of new issues.

It is natural that a good bond issue, properly priced and properly distributed, will, as it becomes more seasoned, show a certain advance in price, if market conditions do not change radically. This is a certain increment that justly goes to the bond purchaser and is a profit that is gained merely by using good investment judgment and purchasing securities through a sound investment organization.

Every organization or institution engaged in the selling of bonds helps the situation by impressing on its clients the fact that when the investor purchases a bond, he purchases a contract agreeing to pay a certain sum of money each year as interest, and its principal sum on the maturity date. Various factors operate to make the value of this contract fluctuate during its life and no investment house can control these factors. The function of a first class investment banking house is to use all possible methods to safeguard the investor in his purchases and to see that interest and principal are paid when due. The ability of an investment house to select sound issues soon demonstrates its value as a guide to its clients.

If the investor will always keep in mind the fact that market fluctuations do not affect either his income or the prompt payment of principal when due, he will unquestionably place himself in a position where he can view his investment problems from a more logical standpoint. Of course, fundamental weaknesses in a security are reflected in its market price, but such weaknesses are the exception rather than the rule, and care in selecting the investment house is the best method of avoiding this difficulty.

GOLD STANDARD PRESAGES ERA OF DEVELOPMENT IN CANADA

[Continued from page 84]

a reduction in the excise tax so that the reduction in the duty will not be so serious a matter, but the whole question of tariff changes has been a disturbing factor. The Progressive party, representing western agricultural constituencies, is favoring legislation of a class character and this is disturbing to finance and industry. The appointment of a tariff commission of inquiry will, it is hoped, give some measure of stability to this situation. Despite the favorable trade figures, too, attention is being directed to the fact that surplus exports are made up of raw materials, which in the country's best interests should be turned into finished products at home. Lack of unemployment, it is submitted, may be explained in the fact that there has been such a large exodus of workers to the United States. In brief, the contention of manufacturers is that they are not securing the measure of prosperity warranted by the improved buying power of the people and that this is because of large imports of manufactured goods and excessive taxation.

EXPORT SURPLUS OF RAW MATERIALS

In recent months, while the United States has been piling up a surplus of imports, Canada has been increasing her surplus of exports. Study of the Canadian trade figures discloses the fact that almost the entire increase in exports has been made up of raw materials or of partly manufactured products. For the last twelve months for which figures are available, out of the total trade increase over the previous year, grain and animal products and wood and iron products—largely unmanufactured—accounted for well over 90 per cent. The great bulk of these products went to Great Britain and to Continental Europe to be manufactured at lower labor costs than those prevailing in Canada. At the same time Canada increased her purchases from abroad by $141,000,000 and the largest increase was iron and its products—entirely manufactured goods. Imports of these products increased by $50,000,000 which is more than one-third of the total gain. Animal and vegetable products imported increased by $30,000,000 but almost all of this total consisted of manufactured goods. It would seem, therefore, that Canada like the United States, is increasing her imports of manufactured goods from Great Britain and Europe but that Canada is in a much more favorable position as regards her balance of trade in that she has for sale the raw materials which the European countries are seeking. The weakness in Canada's position is that by shipping raw materials to maintain her favorable trade balance she is losing the advantage of manufacturing these products at home.

MERGERS OF MORTGAGE COMPANIES

As has been the case with Canada's chartered banks, there are indications of continued absorption of the smaller mortgage loaning companies by the larger institutions with more extended facilities. The directors of the Hamilton Provident Loan Corporation, an institution operating for half a century, have decided to accept the offer to purchase made by the Huron and Erie Mortgage Corporation, a larger institution with which is allied the Canada Trust Company. The price offered is substantially above the market value of the stock, being 227 for shares which were selling in January at 157. The price is higher too than warranted by the company's earnings and 10 per cent. dividend rate. However, its assets are sound and will no doubt be worth the price offered to the purchasing company. In recommending the sale, directors of the Hamilton company point out that for a number of years mortgage, trust and insurance companies having money to lend on first mortgages have been much concerned about unjust legislation which has had a tendency to greatly increase taxation and operating charges. Competition also has been making it more difficult for many of the smaller companies with relatively higher overhead costs to earn a margin of profit that might otherwise be expected. The mortgage companies have not only found government competition in making farm loans in some of the provinces but in western Canada there has been a lot of legislation which has seriously undermined first mortgage security. This legislation has been aimed at the protection of debtors affected by the post-war collapse of agricultural prices. The chartered banks have likewise suffered because of this situation in agriculture which has been general in both Canada and the United States but they have not been affected by the undermining of mortgage security directly because Canadian banks do not loan on mortgages.

At the annual meeting of the Canadian Manufacturers Association it was pointed out that none of the chief industrial countries have so far ratified the eight-hour day convention passed at Washington in 1919. Canadian manufacturers feel that no matter what the industrial countries of Europe may do it is impossible for the employers of Canada to modify in any way the attitude they have always adopted of opposition to compulsory eight-hour day legislation if for no other reason than that the United States shows no signs of adopting such a principle.

Following in the trend of chain store merchandising, as worked out in the drug and grocery trades particularly, a merger is being formed of a score of leading department stores throughout Ontario under the name of Canadian Department Stores. Other existing stores are to be added to the chain and new ones will be built according to the plan.

BANKS CLOSING MORE BRANCHES

The Canadian chartered banks report the opening of five new branches during May but during that period twenty-three branches were closed. For some years now, as the result of mergers and keen competition, the banks have been slowly reducing their number of branches throughout the country. For the period of the war there was, by common consent, a sort of truce in the campaign for more branches but after the end of the conflict in Europe there was a great rush to capture business which had developed and the result was that the situation was greatly overdone. A reaction followed and the adjustment is still in progress.

Canadian banks have now something less than 3800 branches in Canada and a total of nearly 4000 altogether. In 1920 there were 4676 branches in Canada. It will thus be seen that there have been closed some 880 branches since the after-war peak.

HOW BANKS ARE ADVERTISING

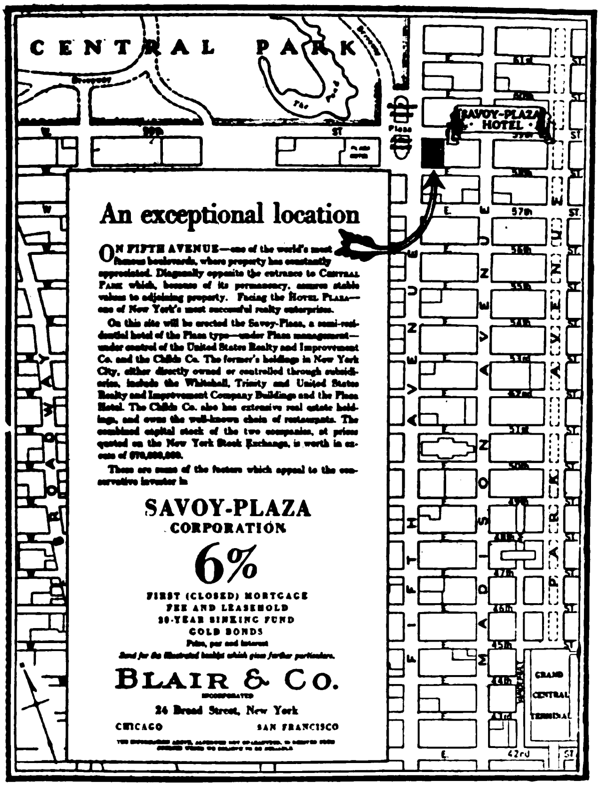
"INVESTMENT Service" is the title of a well presented booklet printed in two colors and published by the bond department of the First Trust and Savings Bank of Chicago.

THE Commerce Trust Company of Kansas City, Mo., has published a very interesting booklet which contains copies of wills of three of Kansas City's most public spirited citizens who made Kansas City the chief beneficiary of their estates.

THE American Legion is co-operating with the banks of the country in a campaign which is designed to aid 30,000 veterans of the World War in saving a sufficient sum for the American Legion pilgrimage to France in 1927. The France Convention Travel Committee of the Legion is seeking the co-operation of savings banks and other banks of the country to further its plans for the saving of the $13,500,000 minimum needed to carry the 30,000 veterans who plan to make the trip. Any bank may become authorized, upon payment of the sum of $5 to the France Convention Travel Committee of the American Legion, to be an official depository of the movement and may organize a "Paris in 1927 Savings Club." The American Legion co-operates with the banks in getting depositors for these clubs and is sending out broadcast publicity urging legionnaires to save their funds for the trip. The legion also furnishes banks with posters advertising the club and the advantages of joining it. Local posts of the legion are also arranging to have bank officers address post meetings in behalf of these savings clubs. The United States Government, railroads, steamship companies, manufacturers and other employers have approved the plan and have given their assurance of co-operation in making it a success. Nearly 400 banks are already registered as official depositories for the plan.

"TRAVEL Talks," an interestingly written and pro-

The "department store" style of financial advertising as exemplified in the above reduced reproduction of a newspaper advertisement of a St. Louis bank.



A bond offering advertisement of an investment banking house in which graphic illustration has been effectively used to strengthen the copy. On the facing page is an example of how the same offering was handled in an advertisement of the bond department of a New York bank.

fusely illustrated monthly booklet published in rotogravue by the Bowery Savings Bank of New York, is an interesting addition to the literature now being published in behalf of the "Save-to-Travel" plan.

THE Trust Company of Florida, Miami, Florida, has recently published a "Business Survey of Florida" which contains an interesting and complete record of the development of Florida's various industries, banks, public utilities, etc. The booklet is illustrated with a number of comprehensive charts.

THE American National Bank of Richmond, Va., is publishing in the form of a complete little folder a very useful road map prepared by the Automobile Club of Richmond, covering roads in Virginia, North Carolina and Maryland.

THE Bowery Savings Bank of New York publishes a very useful monthly budget sheet bearing the title on the outside cover "Where Does the Money Go?" and containing in addition to the budget form a number of paragraphs containing suggestions as to how the budget may be made most effective.

"WHO Shall Come After You?" is the title of a trust folder printed in two colors published by the Garfield National Bank of New York, containing some concise paragraphs of copy on the importance of making the will and the value of selecting the bank as executor.

"PREPAREDNESS" is the title of a four-page folder printed in colors published by the Corn Exchange Bank of New York, containing inspirational copy on the value of thrift.

"THREE Examples" is the title of an attractive four-page folder published by the Harvard Trust Company of Cambridge, Mass., containing three specific examples showing loss of interest that could have been collected by opening a safe keeping account with the Harvard Trust Company.

"GOOD Fortune" and "Luck" are the titles of two interesting and well written savings folders published by the

Cedar Rapids Savings Bank and Trust Company of Cedar Rapids, Iowa.

SHORTLY after the first of May, which is moving day for many apartment house dwellers in large cities, the Liberty Trust and Savings Bank of Chicago, inserts envelope stuffers in circulars sent it out to its list of customers and prospects reading as follows:

"DID YOU MOVE MAY 1ST?

"If so, it is important that you furnish us with your new address, so that interest notices and other valuable mail will be sure to reach you. Please fill in this slip and turn it in to the Bond Department the next time you are in the bank.

Name ....

Address ....

Old Address ....

LIBERTY TRUST AND SAVINGS BANK"

An advertisement of the bond department of a New York bank offering the same bonds described in the advertisement on the facing page. Here again, as in the opposite advertisement, skilful layout and the use of illustration have served to heighten the effectiveness of the copy.

THE Bank of the Manhattan Company of New York recently published an interesting combination statement folder containing some very readable copy on early currency of the bank, and the oldest will in the world, accompanying this copy with appropriate illustrations. The folder also contains copy on the bank's trust department.

EDWIN Bird Wilson, Inc., New York, has recently been appointed advertising agent for the Citizens and Southern Bank of Georgia, Savannah, Ga., the largest financial institution between Baltimore and New Orleans, and also for the Union and New Haven Trust Company of New Haven, Conn.

FINAL tabulation of new business secured by the "Go-Getters" organization of the employes of the Union Trust Company, Cleveland, O., shows that during the year 1925 these employes brought in over $2,000,000 in new business. Ninety-four of the employes found time outside of their regular work to secure at least twelve new accounts during the year totaling $1200 or more, which remained open for a period of more than ninety days. Five employes obtained twelve or more new accounts during the year with initial aggregate deposits from $420 to $1200, which remained open for at least ninety days. A total of 4123 accounts was

Two
Little Old Ladies
who happened to get into the newspapers . . . . .

THEY were two little old ladies, trying to support themselves by sewing—trying, in one of New York's poorest tenement districts, to retain the shreds of gentility.

They had been left well-to-do. Reared with a sense of financial security, they knew nothing about business. Helplessly they saw their income dwindle, and gradually disappear. The estate had been badly managed. They did not understand how. They only knew that now they were forced to face the world, hopelessly unprepared.

Then illness came—and the two little old ladies got into the newspapers. They appeared in the list of New York's "Hundred Neediest Cases" last Christmas.

AN EXTREME CASE? Perhaps. Yet it is estimated that nine out of every ten estates of more than $5,000 are dissipated within seven years. Dissipated largely because so often there is lacking, in the settling of an estate, business experience and judgment—the qualities so necessary in acquiring that estate.

For more than a generation, our Company has been conspicuously successful in the handling and settling of estates. We offer the service of specialists in this work, together with the time-saving, money-saving facilities developed by our institution. That is why more and more people are naming the Irving-Columbia as executor or trustee.

OFFICERS *in any of the Banking Offices listed below are always ready to discuss your problems with you or give you any further information you may desire.*

IRVING BANK-COLUMBIA TRUST COMPANY

Downtown
60 Broadway
81 Fulton Street
Woolworth Building
West Broadway at Chambers Street
Broadway at Eighth Street

Midtown
Fifth Avenue at 32nd Street
Fifth Avenue at 34th Street
East 42nd St., opp. Grand Central
Park Avenue at 48th Street

Harlem
125th Street at Seventh Avenue

Bronx
Third Avenue at 148th Street
Southern Boulevard at 163rd Street
East Fordham Rd. at Marion Ave.

Brooklyn
350 Fulton Street
Flatbush Ave. at Linden Blvd.
New Utrecht Avenue at 53rd Street

A good example of the attention getting value of the unusual is given in the headline and introductory copy of the above trust advertisement of a New York bank.

brought in by ninety-nine employes, one employe reaching the figure of 372 accounts.

EIGHT hundred and forty new depositors of the Home Savings Bank of Boston, Mass., according to Carl M. Spencer, treasurer, gave in January, 1926, the following reasons that prompted them to open new accounts with the bank. Of this number of new customers 122 had formerly been depositors; 69 were transfers from other accounts; 79 were additional accounts with present depositors; 197 were introduced or recommended by depositors; 16 were introduced or recommended by other banks; 40 were introduced or recommended by trustees, officers and clerks; 118 joined because of the Christmas and Vacation Clubs; 79 joined because of their children having school savings accounts; 8 were mortgagors; 9 joined because of the automatic teller in the lobby; 62 were attracted by location, hours, or interest rate and 17 were attracted by newspaper advertising. Regarding the relatively low place accorded to newspaper advertising Mr. Spencer says:

"We do not think that newspaper advertising receives the credit due; we believe that it serves as a background for favorable recommendations and perhaps is a subconscious element in bringing about many of the decisions which finally ripen into action."

"CENTRAL Clearings" published by the Central Trust Company of Illinois, Chicago, and the *Fort Madison Savings Bank News* published by the Fort Madison Savings Bank of Fort Madison, Iowa, are two interesting bank house organs which have recently come into this office.

EDWIN Bird Wilson, Inc., of New York publishes an interesting house organ on financial publicity entitled *Edwin Bird Wilson's Messenger.* This publication contains some very informative material on financial advertising.

METROPOLITAN Life Insurance Company has published a comprehensive booklet on employe magazines. This booklet covers such subjects as: reasons for starting the house organ, deciding on a budget, naming the house organ, the editor, the editor's duties, editorial policy, layout, cover, printing and paper, planning the magazine interior, margins, the running head, boxes, headlines, subject matter, writing the material, how to get the material, the main articles, historical material, educational material, distributing the magazine, and a number of other matters pertaining to employe publications.

THE Buffalo Savings Bank of Buffalo, New York, has recently published a twenty-four page savings booklet "Money to Spend." The booklet contains an introduction by E. Corning Townsend, president of the bank. Mr. Townsend says in his introduction:

"You hear it said 'So-and-So is worth a million dollars.' Does that mean he earns a million? No. What he earns doesn't count. What he spends doesn't count. What he has *saved* (or someone else saved for him) is the only thing that counts toward his financial worth.

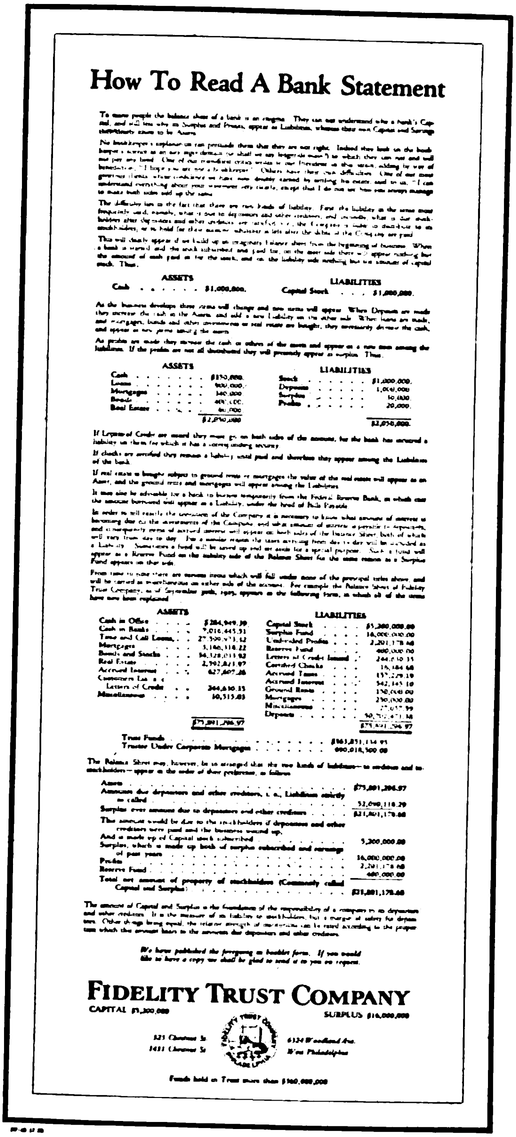
"To be worth money, therefore, is the same thing as to have saved money. Instead of having already spent it, one has it still to spend.

"Now it's a fact that people with money to spend are as a rule happier than people whose money is spent. The pleasantest thing about work-

WHO'S WHO IN BANK ADVERTISING

JOHN A. PRICE
Advertising manager of the Peoples Savings and Trust Company of Pittsburgh, and of the Bank of Pittsburgh, N. A.

KNOWLEDGE of banking is necessary to write good bank publicity, said G. Prather Knapp last month. Evidently Mr. Price had the same idea, for he had a lot of all round banking experience before he tried the advertising business. Then for a time he was advertising man for one of Pittsburgh's leading department stores. Though he now has his own agency, Mr. Price is primarily a bank advertising man by reason of his connection as advertising manager for the two banks named above. In addition to this he finds time to run a syndicate throughout the country, act as advertising manager for the Edward A. Woods Company (the largest life insurance agency in the world) and serve various other Pittsburgh corporations as advertising and public relations man. The work of which he is proudest is the merchandising of [illegible] Savings Plan, which was, he says, the first successful plan of its kind ever conducted. He is a member of the Advisory Committee of the Financial Advertisers' Association.



This advertisement of a Philadelphia bank enlarges on the explanatory bank statement idea by giving an unusually complete picture of the meaning of various items on the statement, presenting all details in a very understandable manner.

ing in a savings bank is that all day long we are meeting happy people—our depositors! They are all people worth money—all people with money to spend when they get good and ready to spend it."

THE Republic National Bank of Dallas, Texas, has published a very attractive booklet giving a story of the bank's new twenty-one story building—with but one exception the tallest in the Southwest—and including a brief story of the bank's history, progress and the various services which it offers.

"SIXTY Years" is the title of a booklet recently published by the First National Bank of Chattanooga in commemoration of its sixtieth anniversary. The booklet is well printed, contains some very readable copy and includes a number of unusually interesting illustrations of Chattanooga sixty years ago and today.

THE Fidelity Union Trust Company, Newark, N. J., is reprinting in pamphlet form a series of articles on "Wills, Estates and Trusts," written by Edw. A. Pruden, vice-president of that institution, for the *Newark Sunday Call*. The first of the series is entitled "Wills and Business Problems; or How Your Will Can Safeguard Your Business," and contains a number of specific cases illustrating problems which would have been eliminated if a properly drawn will had existed in each case. The folder also calls attention to the fact that there are advantages and economies to a legal resident of New Jersey in naming a New Jersey bank executor and trustee of the estate.

MR. PUELICHER ON EDUCATION

AT the Golden Anniversary Convention, last year, members of the American Bankers Association subscribed $500,000 to establish an educational foundation. John H. Puelicher, president of the Marshall and Ilsley Bank, Milwaukee, Wis., is chairman of the board of trustees appointed to make wise use of this fund. It is interesting, therefore, to get his ideas on education as set forth in the following extracts from an address delivered before the Wisconsin Bankers Association convention at Wausau last month:

"The educational efforts of the American banker have thus far been designed to meet immediate needs. The first endeavor was distinctly a youth movement. Youth will have its day in the sun. The first outstanding educational undertaking of the American Bankers Association had its inception in the aspirations of youth.

"The young men in the profession—there were then few women in banks—wished to better their opportunities. They wished for greater chances to succeed. Official advancement in banking went too often with stock ownership, not with knowledge of the business. This was not good for banks nor for those in them. Then came a group of young men who sought to do for the profession, so that the profession might do for them. They hoped to merit a success commensurate with their contribution. This brought to the profession a development great as is the ambition of youth.

"Be it said to the credit of those then in the American Bankers Association whose duty it was to counsel and to guide, that when the ambitions of the younger men were presented, the older men aided and encouraged.

"The American Institute of Banking is today an accepted fact. That it adequately meets the needs of a constantly growing number of students elicits little comment from any one in the profession. . . . Probably the greatest single contribution which the institute made to banking was the professional democracy which came with it. . . . The American Institute of Banking is an assurance that education is a corner-stone of the life and progress of an industry or profession.

"A recognition of the wisdom of helping others as you have been helped brought about the next educational undertaking of the American Bankers Association. . . . And the work of the Public Education Commission is just beginning."

Some of the questions which Mr. Puelicher believes the bankers should turn their minds to are: Instalment buying, future financial policies toward our large gold balance, the farmers' problems, future foreign competition, and the revival and stabilization of India and China.

"We have been slow, tradition-ridden, custom-bound, precedent-rooted, community-fenced," he said. "In a rapidly changing world new methods, new ways, become imperative. Our economic mind must become broader, deeper, more inclusive—world wide.

"The wisdom that foresaw the possibilities of the American Institute of Banking and the Public Education Commission must now provide the necessary scholarship and research. . . . As a beginning $500,000 is a sizable amount, but one must think of it only as a beginning. . . . There should be at least two scholarships in every state university, and at least one scholarship in every college maintaining a department of banking or economics. . . . In addition to this, we should start out with at least one foreign fellowship, and in the course of a few years bring this up to five or ten foreign fellowships.

"This may sound like an ambitious program, but it is only in this way that we may hope to keep American banking thought abreast of the requirements of America's position in world finance."

WHAT BANKS AND BANKERS ARE DOING

OLIVER W. BIRCKHEAD has resigned as vice-president of the Harriman National Bank, New York, to become president and director of the new Murray Hill Trust Company, New York, which opened about July 1. Mr. Birckhead was born in Washington, D. C. in 1886, and has been associated with banks and banking during most of his career. He has served as secretary to the Secretary of the Treasury and to the Comptroller of the Currency, as chief of the examining division of the Comptroller's office, and as supervising national bank examiner of the third and fourth Federal reserve districts. Just previous to his appointment as vice-president of the Harriman National, Mr. Birckhead was a national bank examiner assigned to New York City. The new Murray Hill Trust Company, which is organized to serve the uptown disrict, will have a combined capital and surplus of $2,000,000.

CARLETON A. CHASE

President of the First Trust and Deposit Company, Syracuse, N. Y., recently elected president of the New York State Bankers Association.

WILLIAM E. KATENKAMP has been advanced from cashier to vice-president of the National Central Bank of Baltimore, Md., in place of George F. Lang, resigned. Harry H. Hahn, formerly assistant cashier, replaces Mr. Katenkamp as cashier; and Clarence E. Wheeler, formerly manager of the new business de-

B. W. GRIFFIN

Manager of the business extension department National Newark and Essex Banking Company, Newark, N. J., who will conduct a course in bank advertising and publicity in Columbia University, New York, next fall.

partment, has been advanced to assistant cashier.

Mr. Katenkamp entered the bank in 1905 as discount clerk, was appointed assistant cashier in 1918, and cashier in 1925. Mr. Hahn, who joined the staff of the bank in 1918 as auditor, has been assistant cashier since 1925. Mr. Wheeler has been manager of the new business department since 1922.

BENJAMIN LEVINSON has been promoted from trust officer to vice-president and trust officer of the Liberty Trust and Savings Bank, Chicago, Ill.; Harry Wiersema has been advanced from cashier to vice-president and cashier; and Milton Rosenthal, formerly assistant cashier, has been elected a vice-president.

Mr. Levinson, who is a graduate of the Yale Law School and a member of the bar in Illinois and the District of Columbia, was formerly in the legal departments of the Bureau of War Risk Insurance and the United States Railroad Administration. He left this work in 1921 to become trust officer of the Liberty Trust and Savings. Mr. Wiersema has been with the bank since 1913, holding successively positions as bookkeeper, receiving teller, paying teller, assistant cashier, cashier, and now vice-president. Mr. Rosenthal joined the bond department of the bank in 1921, became manager of the department, was later advanced to assistant cashier, and finally to vice-president.

F. G. MURBACK, assistant cashier and manager of the savings department Union Trust Company, Chicago, Ill., has been elected president of the Savings Association of Loop Banks in Chicago for the ensuing year.

G. PRATHER KNAPP has resigned as vice-president of the Bankers Service Corporation, New York, to become editorial and business director of the Rand McNally Banking Publications. Mr. Knapp was born in St. Louis and educated at St. Louis University. He has held positions in the legal department of the Missouri Pacific Railroad, and in the publicity department of the St. Louis World's Fair. He was for a time vice-president of the Harvey Blodgett Advertising Company. From 1905 to 1922 he was with the Mississippi Valley Trust Company, St. Louis, Mo., as publicity manager of that institution. He resigned this office to become vice-president of the Bankers Service Corporation, which position he leaves to direct the Rand McNally publications.

He was one of the organizers of the Financial Advertisers' Association, and is a director of the Associated Advertising Clubs of the World. During 1920 and 1921 he served as a member of the publicity committee of the Trust Company Division of the American Bankers Association, which inaugurated the co-operative educational campaign on trust service which is still appearing in the national magazines. He has been active as a writer and speaker on banking and finance, and is the author of a book soon to be published on "How Banks Increase Their Business."

CARLETON A. CHASE, president of the First Trust and Deposit Company, Syracuse, N. Y., was elected president of the New York State Bankers Association at the recent convention in Quebec. Mr. Chase was born in Syracuse in 1864. His father was head of the Syracuse Chilled Plow Company, and Mr. Chase left school early to join his father in the business, in which he filled various responsible positions until he was made vice-president in 1902, and the following year made president. In 1920, he resigned this position to become president of the First Trust and Deposit Company, which has resources of more than $50,000,000. Mr. Chase is also president of the Bank of East Syracuse, and of the Eastwood Bank, a vice-president of the Syracuse Chilled Plow Company, of the Rochester & Syracuse Railroad Co., and of the Empire State Railways.

The other officers of the New York State Bankers Association are as follows: Vice-president, Gates W. McGarrah, chairman of the executive committee Chase National Bank, New York; treasurer, William McCafferty, president First National Bank of Rochester; and secretary, Edward J. Gallien.

T. A. EMBREY, president Farmers National Bank, Winchester, Tenn., has been elected president of the Tennessee Bankers Association for the ensuing year. The other officers of the association are: First vice-president, E. F. Ames, vice-president and cashier First National Bank, Maryville; second vice-president, Algood Carlen, assistant cashier Citizens Bank, Cookeville; third vice-president, Caldwell Harrison, cashier Farmers and Peoples Bank, Milan; treasurer, W. H. Wall, cashier First Trust and Savings Bank, Clarkesville; and secretary, H. Grady Huddleston, of Nashville.

B. W. Griffin, manager of the business extension department of the National Newark and Essex Banking Company, Newark, N. J., has been invited to conduct a course in bank advertising and publicity in Columbia University next fall, following the publication of his recent book on that subject, written in collaboration with F. R. Kerman, vice-president of the Bank of Italy.

Mr. Griffin was born in Balisore, India, of missionary parents. He was educated in Bates College, Maine, to be a teacher and did teach for several years. When he came back from the war, he decided to try advertising, and, after taking a short course in banking with the Guaranty Trust Company, he joined the staff of the Gotham National Bank, New York, as vice-president in charge of new business. When the Gotham was merged with the Manufacturers Trust last October, Mr. Griffin left to take up his present work with the National Newark and Essex.

Clark Hammond, vice-president of the Keystone National Bank of Pittsburgh, Pa., was elected president of the Pennsylvania Bankers Association at the recent convention in Atlantic City. Mr. Hammond graduated from Kenyon College in 1903, where he had been elected to Phi Beta Kappa, and entered the Iron City National Bank, Pittsburgh, as a messenger. He had previously had some experience in banking in his father's bank, the National Exchange Bank, Steubenville, O. After a number of years with the Bank of Pittsburgh, N. A., (with which the Iron City was merged), he became secretary of the Guarantee Title and Trust Company. Later, when that bank was purchased by the

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Clark Hammond

Vice-president Keystone National Bank, Pittsburgh, Pa., recently elected president of the Pennsylvania Bankers Association.

Duquesne National Bank, he became assistant cashier of the latter. In 1911 he joined the staff of the Columbia National Bank as assistant cashier, advanced later to cashier, and finally to vice-president and director. In January, 1926, he left the Columbia National to become a vice-president of the Keystone National. He is active in the work of the American Bankers Association as well as the state association.

The other officers of the association are: Vice-president, Harry J. Haas, vice-president First National Bank, Philadelphia; treasurer, Al. K. Thomas, president East End Trust Company, Harrisburg; and secretary, C. F. Zimmerman, cashier Lebanon County Trust Company, Lebanon, Pa.

J. WALTER GETTY has been advanced from cashier to president of the First National Bank, New Windsor, Md., succeeding Nathan H. Baile, who had served the bank for fifty-seven years. John S. Baile has been elected cashier, succeeding Mr. Getty, and Leslie A. Smelser has been added to the board of directors of the bank.

J. T. C. HOPKINS, JR., president of the Cecil National Bank, Port Deposit, Md., has been elected president of the Maryland Bankers Association. Mr. Hopkins comes from a family of bankers, both his father and grandfather having been bank presidents, and both his brothers being bank officials. During the war he was chairman of the Cecil County Liberty Loan Committee, and during the Fourth Liberty and Victory Loan campaigns led all the counties of the state in ratio of subscribers to population and amount subscribed per capita. The Cecil National, of which he is president, was established in 1850 by Jacob Tome, founder of the Tome School.

The other officers of the Maryland Bankers Association are as follows: Vice-president, W. O. Pierson, vice-president Union Trust Company, Baltimore; secretary, Charles Hann of the Merchants National Bank, Baltimore; and treasurer, William Marriott of the Western National Bank of Baltimore.

WILLIAM A. ACKERMAN, active manager of the Knox National Bank, Mt.

Vernon, O., was elected president of the Ohio Bankers' Association at the recent convention at Cleveland. Mr. Ackerman was born in 1873, attended Ohio Wesleyan University, and entered the employ of the Knox National Bank in 1902, as a messenger. It took him but four years to rise from this humble position to the cashiership of the bank, which position he held until he was elected vice-president in 1924.

The other officers of the Ohio Bankers Association are: Vice-president, Robert McEvilley, vice-president First National Bank, Cincinnati; and treasurer, Homer M. Davies, vice-president and cashier Commercial Bank, Delphos.

W. M. PRICE, president Lyon County State Bank, Emporia, Kan., and formerly a senator of that state, was elected president of the Kansas Bankers' Association at the recent convention in Wichita. The other officers of the association are:

J. T. C. HOPKINS

President Cecil National Bank, Port Deposit, Md., recently elected president of the Maryland Bankers Association.

W. M. PRICE

President Lyon County State Bank, Emporia, Kansas, who was elected president of the Kansas Bankers Association at the recent convention.

Vice-president, A. W. Wilson, president National Bank of Ness City, Ness City; treasurer, I. J. Meade, vice-president Lawrence National Bank, Lawrence; and secretary, W. M. Bowman, of Topeka.

R. E. MACGREGOR, vice-president Northwestern National Bank, Minneapolis, Minn., was elected president of the Minnesota Bankers Association at the recent convention in Minneapolis. The other officers of the association for the ensuing year are: Vice-president, A. G. Wedge, president First National Bank, Park Rapids; treasurer, A. M. Schaefer, president Peoples State Bank, Jordan; and secretary, F. P. Fellows, of Minneapolis.

WALTER B. CRAWFORD, vice-president West Frankfort Bank and Trust Company, West Frankfort, Ill., was elected president of the Illinois Bankers Association at the recent convention. The other officers of the association for the year 1926-27 are: Vice-president, J. M. Appel, president Highland Park State Bank, Highland Park; treasurer, W. H. Drewel, president National Trust Bank, Charleston; and secretary, Martin A. Graettinger, Chicago.

E. B. GREENE has resigned as an executive vice-president of the Cleveland Trust Company, Cleveland, O., after almost thirty years with the bank. He has been elected a member of the board of directors, chairman of the executive committee, and an ex-officio member of all other committees, thus retaining a connection with the bank. When Mr. Greene started work for the Cleveland Trust Company, in 1898, his work combined the duties of clerk, messenger and teller. His progress to the vice-presidency was through the offices of assistant treasurer, assistant secretary, and secretary. He has resigned in order to give his full time to his outside interests which have grown so large as to make it impossible to carry them on efficiently and be a bank officer at the same time.

ABIAL WINN, vice-president First National Bank, Valdosta, has been elected president of the Georgia Bankers Association for the ensuing year. The other officers of the association are: Vice-president, Robert Strickland, Jr., vice-president Fourth National Bank, Atlanta; secretary, Haynes McFadden of Atlanta; treasurer, E. L. Henderson, cashier Commercial Bank, Cedartown; general counsel, Orville A. Park of Macon; and assistant secretary, Joseph R. Murphy of Atlanta.

E. D. KILPATRICK, cashier of the First State Bank, Leflore, Okla., who was recently elected president of the Oklahoma Bankers Association for the ensuing year, was born in Krebs, Okla., in 1890, and educated in Wentworth Military Academy, Lexington, Mo., and the Christian Brothers College, St. Louis, Mo. His first banking job was as assistant cashier of the Bank of Red Oak, Okla., when he was but 18. The next year, 1909, he was elected to his present position as cashier of the First State Bank.

The other officers of the Oklahoma Bankers Association are as follows: Vice-president, G. S. Weitzenhoffer, vice-president Security National Bank, Oklahoma City; treasurer, O. E. Thompson, president McCurtain County Bank, Broken Bow; and secretary, Eugene P. Gum, of Oklahoma City.

S. C. King, vice-president of the Bank of Ensley, Ensley, Ala., has been elected president of the Alabama Bankers Association for the ensuing year. The other officers of the association are:

S. C. King

Vice-president of the Bank of Ensley, Ensley, Alabama, who was elected president of the Alabama Bankers Association at the recent convention.

Vice-president, R. H. Cochrane, president City National Bank, Tuscaloosa; and secretary-treasurer, Henry T. Bartlett, vice-president American Trust and Savings Bank, Birmingham.

W. I. Lincoln Adams has been elected chairman of the board of directors of

the new Murray Hill Trust Company, New York. His banking experience extends over a quarter of a century, beginning with the organization of the Montclair Trust Company, Montclair, N. J., in 1901, where he served as president for many years. He also assisted in the organization of the Bloomfield Trust Company, Bloomfield, N. J. He was president of the West Side Bank, New York, for several years prior to its merger with the Manufacturers Trust Company in 1918. He then went into military service, and served for over a year as officer in charge of finance in the Department of the East. Since that time he has been principal owner and president of the stationery house of Styles and Cash, and only recently relinquished the active management.

Harold P. Perkins, assistant cashier of the National Shawmut Bank, Boston, Mass., has been elected president of the Vermont-New Hampshire Bankers Association for the ensuing year. Mr. Perkins was formerly cashier of the White River Bank, of Bethel, Vt.

R. E. CHAMBERS has been elected a vice-president of the National Shawmut Bank, Boston, Mass. Mr. Chambers, who was born in 1884 in Toms River, N. J., has been in banking since 1904, beginning with the New Haven Bank, N. B. A., New Haven, Conn., as a junior clerk. In 1918 he left the New Haven Bank, N. B. A., to become cashier and a director of the Ansonia National Bank, Ansonia, Conn. He has just completed a year as president of the Connecticut Bankers Association.

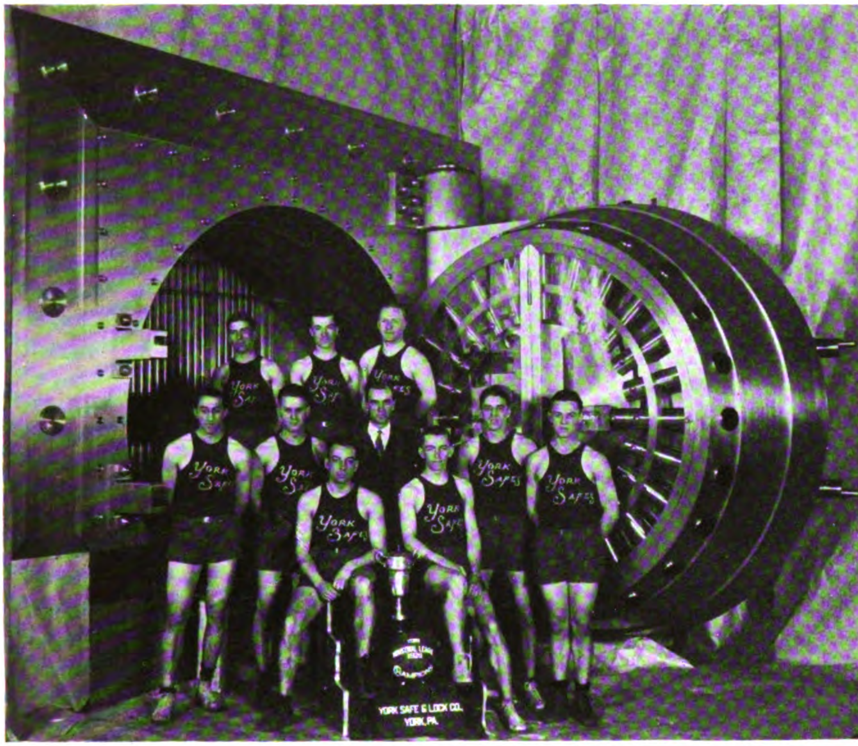
MRS. ELSIE LAWSON is the latest woman to gain recognition in banking by an official title. After seventeen years of faithful service with the Farmers' Loan and Trust Company, New York, she has been appointed an assistant cashier of the bank, the first woman to hold such a position with the company.

KINGSLEY KUNHARDT has been appointed investment trust officer of the Guaranty Trust Company, New York.

ALFRED C. BOSSOM, New York bank architect, has been elected a corresponding member of the Central Association of Austrian Architects. This organization has recently been sponsoring a circulating exhibition of American architecture through Austria and Germany, particular emphasis being placed on bank and office buildings.

CREDIT MEN FOR PAR CLEARANCE

IN submitting its report to the convention of the National Association of Credit Men held in New York, May 24-28, the banking and currency committee of that association again advocated par payment of checks. "This



The basketball team of the York Safe & Lock Co., York, Pa., which won the championship of the Industrial League in York for 1925-26, scoring 653 points to its opponent's 410, and losing only two games.

practice is of tremendous importance in the orderly and efficient conduct of business," said the report, "and should by all means be continued." The committee also came out in favor of rechartering the Federal Reserve Banks at the earliest possible moment, and for the interchange of credit information without charge.

The convention was addressed by an unusually large number of prominent men on a great diversity of topics. William A. Prendergast, chairman of the New York State Public Service Commission, in the opening address traced the history of credit, and said that the extension of the credit system had been "the most potential factor in the economic assimilation of the American people." Matthew Woll, vice-president of the American Federation of Labor, gave the four great aims of the American labor movement as follows:

"First—To obtain a competence for service rendered, comparable with that received by any other group or factor in industry;

"Second—Security of employment, freedom from discharge from work, and unemployment;

"Third—Democratic participation in all the forces, all the factors and powers that influence or affect their direct means of livelihood;

"Fourth—to improve upon the processes of production in which they are engaged."

Wilfred Kurth, president of the National Board of Fire Underwriters, speaking on "Fire Insurance and Credit," told the delegates that the fire losses of the country last year exceeded $500,000,000. This means, he said, that the country is "suffering a serious waste of both material and human wealth because many of the fires involved loss of life, the aggregate fatalities for the year approximating 15,000. The money losses represent an average toll of about $1,504,279 daily or $1044 a minute. . . . This waste by burning can be reduced, because we know that at least 75 per cent. of all fires are due to carelessness and are, therefore, preventable.

"It seems almost incredible that the enlightened American people will go on year after year burning up such tremendous values and piling upon their shoulders an unnecessary burden of such magnitude, yet they continue to do so."

The forum type of meeting was prominent at this convention as it is at so many conventions lately. J. M. Paul of McDonald Bros., Minneapolis, Minn., and E. B. Moran, manager of the credit interchange bureau of the association led a forum on "Interchange of Credit Information." R. T. Graham led a similar meeting on "What Constitutes a 100 per cent. Association of Credit Men?" and there were similar forums of "Friendly and Bankruptcy Liquidations" and on "World Trade."

Among the speakers before the convention whose addresses cannot be included here were: Professor David Friday, director of research National Transportation Institute, Washington, D. C.; W. M. Jardine, Secretary of Agriculture; Lucius R. Eastman, president Merchants Association of New York; Colonel Theodore Roosevelt; Julius Henry Cohen, counsel to the Port Authority of New York; Merle Thorpe, editor of the *Nation's Business;* Nathaniel A. Elsberg; Marshall D. Beuick; R. H. Hitchcock; and F. D. Rock.

The convention was attended by about 4000 delegates. William H. Pouch, president of the Concrete Steel Company, New York, was elected president for the ensuing year. The other officers are J. F. Woods, of Richmond, Va.; George J. Gruen, of Cincinnati; and Frank D. Rock, of Denver, vice-presidents.

WINNERS IN UNION TRUST'S ESSAY CONTEST

THE March issue of THE BANKERS MAGAZINE contained a detailed account of the essay contest instituted by the Union Trust Company, Detroit, Mich., to stimulate interest in life insurance. The company offered five university scholarships of $1000 each for the five best essays written by high school seniors on "The Advantages of Life Insurance." Of the five scholarships, four were won by girls. The winners were announced recently as follows: Paul Millard Sheldon, who has selected Oberlin College, Oberlin, O.; Marguerite Wellman, who has selected the University of Michigan, Ann Arbor, Mich.; Alice Mort, who has selected Michigan State College, East Lansing, Mich.; Esther Pryor, who selected the University of Michigan; and Helen Barrett, who selected St. Mary's College of Notre Dame, Notre Dame, Indiana.

FIRST INVESTMENT TRUST UNDER FEDERAL RESERVE

UNDER the provisions of the Federal Reserve Act, the First Federal Foreign Investment Trust has been organized in New York. As the name implies, it is the first investment trust to be organized under the Federal Reserve Act. There are other investment trusts, but they operate mostly under state charters.

The First Federal Foreign Investment Trust differs also from the usual investment trust in being of a hybrid nature, part investment organization, part banking organization. Its credits will be mostly those which run for a longer time than banks can safely take, and yet which are too small to be worth while offering publicly through brokers. The trust will use its own capital and funds gained by the sale of its debentures for investment in such credits. It is authorized to receive deposits associated with such transactions, and to establish agencies and appoint correspondents abroad for such business. On the whole, its functions are very similar to those of the Federal Intermediate Credit Banks, save that the First Federal Foreign Investment Trust will operate internationally, while the intermediate credit banks are confined to the United States in their work.

Paul Klopstock of the Foreign Securities Company, Ltd., New York, is president of the new organization; Arthur D. Mendes, formerly of F. J. Lisman & Co., New York, is vice-president and treasurer; and Edward Froede is vice-president and secretary. The company is capitalized at $2,000,000, with surplus of $200,000.

FIDELITY UNION, NEWARK, BUYS TWO MORE

LAST month the Fidelity Union Trust Company, Newark, N. J., purchased the Ironbound Trust Company, as was chronicled here. Since that time, it has acquired also the American National Bank and the City Trust Company, both of Newark, N. J. This, according to Uzal H. McCarter, president of the Fidelity Union, completes the program of expansion of the bank. It now owns the North End Trust Company, the Citizens National Bank and Trust Company, the Essex County Trust Company (of East Orange), the Ironbound Trust Company, the American National Bank and the City Trust Company. The ownership of these banks gives the Fidelity Union potential assets of over $135,000,000. It is now by far the largest bank in New Jersey.

The banking law of New Jersey does not allow branch banks, and pending legislation which will permit the conversion of these banks into branches of the Fidelity Union, they will be operated as separate institutions. Charles Niebling, president of the American National Bank, and William Halsey Peck, president of the City Trust Company will, therefore, continue as presidents of their respective institutions until the amalgamation of the banks with the Fidelity Union. Then they will probably become directors of the Fidelity Union in charge of the branches.

PRUDENCE COMPANY EXPANDS

THE Prudence Company, Inc., New York, has increased its capital from $2,500,000 to $10,000,000 by the issue of $2,500,000 additional common stock and $5,000,000 of preferred stock. This capital increase, with the surplus and undivided profits will give the company capital assets of about $27,500,000. This is a splendid record of growth from the

JOHN H. WELLS

Vice-president Rhode Island Hospital Trust Company, Providence, R. I., recently elected president of the Rhode Island Bankers Association. Mr. Wells has been connected with the Rhode Island Hospital Trust Company for over sixteen years, having served as clerk, assistant secretary, secretary, and as vice-president, his present position. The Rhode Island Hospital Trust is the oldest trust company in New England.

$1,100,000 with which the company started in 1919.

The company has also announced the sale of a $15,000,000 issue of bonds to a syndicate headed by Halsey, Stuart & Co., the Manufacturers Trust Company, Estabrook & Co., and Redmond & Co. This evidently marks a change in policy, for heretofore the Prudence Company has marketed its own issues. These issues have been guaranteed by the company, which now has a fund behind such guarantees of $12,500,000 after the recent capital increase. The $15,000,000 issue is guaranteed by the Realty Associates, of which the Prudence Company, Inc., is a subsidiary.

A. I. B. CONVENTION PROGRAM

THE 2000 delegates who are expected to attend the convention of the American Institute of Banking at Dallas, Texas, July 12-16, are promised nationally known speakers on timely topics at the two general meetings.

The principal feature of the convention, however, will be as usual the departmental conferences on important lines of banking. These will include almost eighty addresses. George R. Kingdon, assistant cashier First National Bank, Los Angeles, Calif., will lead the conference on "Audits and Accounting;" Edward F. Le Breton, assistant vice-president Hibernia Bank and Trust Company, New Orleans, La., will have charge of "Bank Administration;" Frank M. Totton, assistant cashier Chase National Bank, New York, will direct the conference on "Business Development and Advertising;" S. Young Tyree, assistant cashier State-Planters Bank and Trust Company, Richmond, Va., will direct the meeting on "Checks and Collections;" Hugh C. Gruwell, manager of the credit department United States Na-

J. H. THERRELL

President Commercial Bank and Trust Company, Ocala, Fla., recently elected president of the Florida Bankers Association. Mr. Therrell came to Florida eight years ago, from North Carolina. At that time he was connected with the Southern Bell Telephone and Telegraph Company and the Western Union Telegraph Company.

tional Bank, Portland, Ore., will preside over the important subject of "Credits;" Charles B. Engle, assistant manager of the bond department the International Trust Company, Denver, Col., will provide the speakers on "Investments and Investment Banking;" Roy R. Marquardt, assistant cashier First Trust and Savings Bank, Chicago, Ill., will direct the discussion of "Savings Banking;" and Robert Mayer, assistant trust officer Provident Trust Company, Philadelphia, Pa., will preside over the "Trust Functions" conference. There will also be a conference on "Foreign Exchange," presided over by F. V. Forrestal of the Farmers' Loan and Trust Company, New York.

The A. I. B. headquarters reports that with the interesting programs and speakers that have been selected, the departmental conferences bid fair to surpass the excellent records set in this activity since it was begun in 1921.

PENNSYLVANIA TRUST CELEBRATES

THE Pennsylvania Trust Company, Pittsburgh, Pa., recently celebrated its twenty-fifth anniversary with a banquet at the University Club in that city. The bank was originally organized as the South Side National Bank, with only three employes, Benjamin Page, the president, George Kirch, treasurer, and a colored janitor. In time, however, though the bank prospered, its customers moved to downtown Pittsburgh, and in 1906, the bank followed them. In spite of the transplanting, it continued to prosper until, in 1911 the space secured was inadequate, and it moved to quarters in the Carnegie building. These, although occupying only half as much space as the bank now uses, were so scantily filled with furniture of the bank at that time that Mr. Page remarked that he did not believe the bank would ever need so large a space. But the time did come, in 1922, when the bank had to practically double the space.

Meantime, the bank had outgrown its name as well as its quarters, for with the change of location in 1906, the name South Side Trust Company became a misnomer, and in 1923, with the entire remodeling of the quarters and the installation of a vault unparalleled in Pittsburgh vault construction, the bank changed its name to the Pennsylvania Trust Company.

In 1926, in place of the three employes, it has eight departments and over eighty employes. Deposits have grown from zero to $6,500,000. The bank has over 20,000 accounts on its books. It is now fully grown, with a real estate department, a bond department, a credit department, and a safe deposit department.

MELROSE NATIONAL OPENS IN THE BRONX

THE Melrose National Bank, New York, recently opened, with the statement that it is "of the Bronx, for the Bronx, and by the Bronx," having been organized by sixteen citizens of that part of New York who felt that the Bronx had done very well for them. They decided, so they said, to do something for the Bronx, and, therefore, organized "a community bank for Bronx people." William T. Keogh is president of the new bank. The other officers are: Vice-presidents, William Blumenstein, Carll S. Pye, Arthur Baumann and Walter F. Copeland; and cashier, Elmer J. S. Coe.

THIRD NATIONAL WHERE-U-BE GOLF TOURNAMENT

STAPLES & Staples, Richmond, Va., announce that the third annual bankers Where-U-Be Golf Tournament will be held this year from July 1 to 31. The first prizes offered this year on both nine-hole and eighteen-hole courses are handsome Burr-Key Elk Golf Bags. The second prizes will be Travelo golf jackets.

The contest is held by each banker simply playing on his home course, or wherever he is vacationing, and selecting the lowest score made on each hole on either a nine-hole or an eighteen-hole course during the month. The score card submitted, therefore, will be a composite of the lowest scores made by the player.

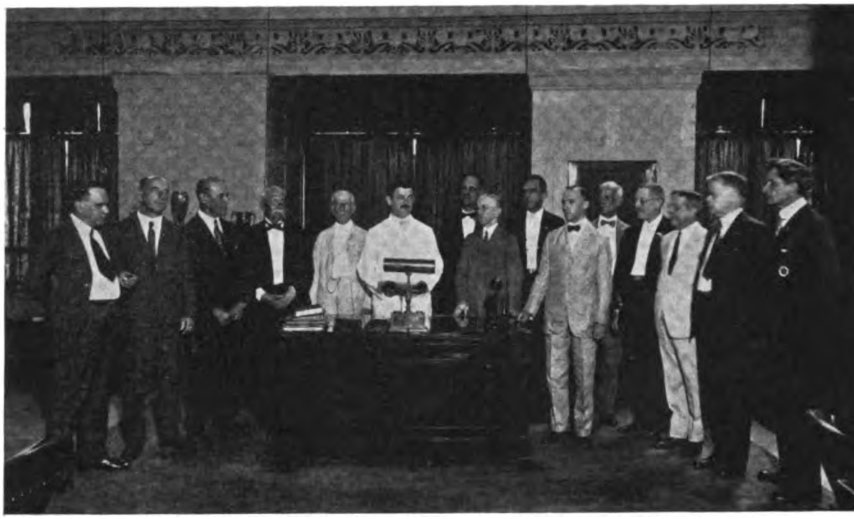
Any employe, banker, or director in a bank may enter the contest. All that is necessary is to send in the name of the entrant to Staples & Staples, Richmond, Va., and get full instructions and score cards.

QUARTER CENTURY CLUB FOR HIBERNIA BANK

THE Hibernia Bank and Trust Company, New Orleans, La., inaugurated a "Quarter Century Club" on June 8, when R. S. Hecht president of the bank, presented emblems to members of the staff who have been with the bank for twenty-five years or more. He presented a special pin to John W. Read, manager of the St. Charles avenue branch, who entered the bank in January 1, 1874. The other members of the club, with the dates they entered the employ of the bank, are as follows: W. A. S. Moore, 1878; Hamilton Salaun, 1886; Edward Toledano, 1886; R. J. Druhan, 1893; Paul Villere, 1894; J. B. Sarrat, 1896; H. A. Cormier, 1896; W. B. Machado, 1896; Charles E. Stevens, 1898; Sam I. Jay, 1899; H. H. Prados, 1900; R. G. Fitzgerald, 1901; and L. E. Thomas, 1901.

PROMINENT SPEAKERS FOR F. A. A. CONVENTION

RALPH Parlette, humorist and philosopher is announced as a speaker for the Financial Advertisers' Association Convention to be held in Detroit, September 20-23. Paul T. Cherington, director of research of the J. Walter Thompson Company, advertisers, and



Members of the new "Quarter Century Club" of the Hibernia Bank and Trust Company, New Orleans, La., who have been with the bank for twenty-five years or more. From left to right they are: S. I. Jay, H. A. Cormier, Edward Toledano, Hamilton Salaun, W. A. S. Moore, R. S. Hecht, president of the bank, Paul Villere, J. W. Read, H. H. Prados, R. S. Fitzgerald, J. B. Sarrat, L. E. Thoman, W. B. Machado, Joseph Druhan, and Charles E. Stevens.

formerly professor of marketing at Harvard University is also on the program to talk on the relation of market analysis to advertising campaigns.

Other speakers include Dr. W. F. Gephart, vice-president of the First National Bank of St. Louis; Charles Franklin Kettering, vice-president and director of the General Motors Corporation, and president of the General Motors Research Corporation; "Eddie" Guest, well known poet of the people; and John G. Jones, vice-president and director of sales and advertising of the Alexander Hamilton Institute.

TWOHY THINKS FARMERS SHOULD BE HELPED

A REPORTER recently asked D. W. Twohy, chairman of the Old National Bank and the Union Trust Company, Spokane, Wash., what he thought of the various plans to help the farmer. Mr. Twohy replied:

"The farmer is at a disadvantage because he makes his purchases in a protected market and world's market fixes the price of his product. If this were a free trade country the law of supply and demand throughout the world would govern, but inasmuch as the dominating party undertakes to protect American labor and American industry, there is no reason why the administration should not lend its influence, provided no subsidy on the part of the Government is required, to some constructive legislation which would aid the wheat grower to receive a reasonable price for his wheat from the consumer in the United States, even though the amount produced in this country should result in a portion of the crop being exported and sold at a different price.

"We have all been too prone to discard all suggestions of this kind as being economically unsound; instead of this attitude I would like to see the condition of the producers not only treated in a more sympathetic manner, but a more determined effort made on the part of the administration to work out something

O. B TAYLOR

Active vice-president Merchants Bank and Trust Company, Jackson, Miss., recently elected president of the Mississippi Bankers Association. Mr. Taylor was born in Montgomery county, Miss., in 1880, educated in public schools and at Mississippi College, and studied law at Millsaps College. For a time he practiced law in Jackson. In 1910 he was elected county attorney and served in this office until 1915, when he was made a Chancery Judge of the Fifth Chancery District of Mississippi. He resigned in 1918 to accept his present position as vice-president of the Merchants Bank and Trust Company.

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which would put agriculture on a higher plane and insure continued production on the part of our own people instead of a continued migration from the farm to the city, which can only result in disadvantage to the country as a whole."

A MERGER IN PORTLAND

THE Fidelity Trust Company, Portland, Me., has bought a controlling interest in the stock of the United States Trust Company of that city and will shortly consolidate the two banks, operating the branches of the United States Trust in South Portland, Fryeburg, and Harrison as branches of the Fidelity Trust Company. The combination of the two banks will give the new Fidelity Trust Company capital of about $600,000 and total resources of around $35,000,000. It is the largest bank in Maine. Charles S. Cook is president. Both banks were organized in 1906.

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WALTER E. ROBB

President Burlington City Loan and Trust Company, Burlington, N. J., elected president of the New Jersey Bankers Association at the recent convention Mr. Robb was born in Burlington and educated in Van Rensselaer Seminary. His first business experience was with Peter Wright & Sons, a shipping firm near Philadelphia. Later he became auditor for the International Mercantile Marine Company, New York. In 1905 he gave up that position to return to Burlington and become associated with the Burlington City Loan and Trust Company. He served as chairman of Liberty Loan and other committees during the war, and is very active in civic affairs.

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HAL Y. LEMON

Vice-president Commerce Trust Company, Kansas City, Mo., elected president of the Association of Reserve City Bankers at its recent convention.

UNION TRUST OF CLEVELAND BEGINS BRANCH BUILDING

THE Union Trust Company, Cleveland, has begun work on a new building to house its new Detroit-Cook office, the twentieth office of the bank in Cleveland. L. Kent Moatz is the architect for the new building, which will probably be completed by September.

PERU STATE BANK IN NEW HOME

THE Peru State Bank, Peru, Ill., recently opened its handsome new building, which is claimed to be the handsomest exclusively banking building in La Salle county. The bank was organized in 1890, with capital of $25,000. It has grown steadily, and capital increases have been repeatedly necessary until now its capital, surplus, and undivided profits stand at over $320,000. Deposits total almost $1,300,000. Henry Hoerner is president of the bank.

PHILADELPHIA BANKS ADOPT SERVICE CHARGE ON LOANS

PHILADELPHIA has adopted the practice instituted by New York recently, of imposing a service charge for the handling of collateral loans for correspondent banks.

ALDEN H. LITTLE

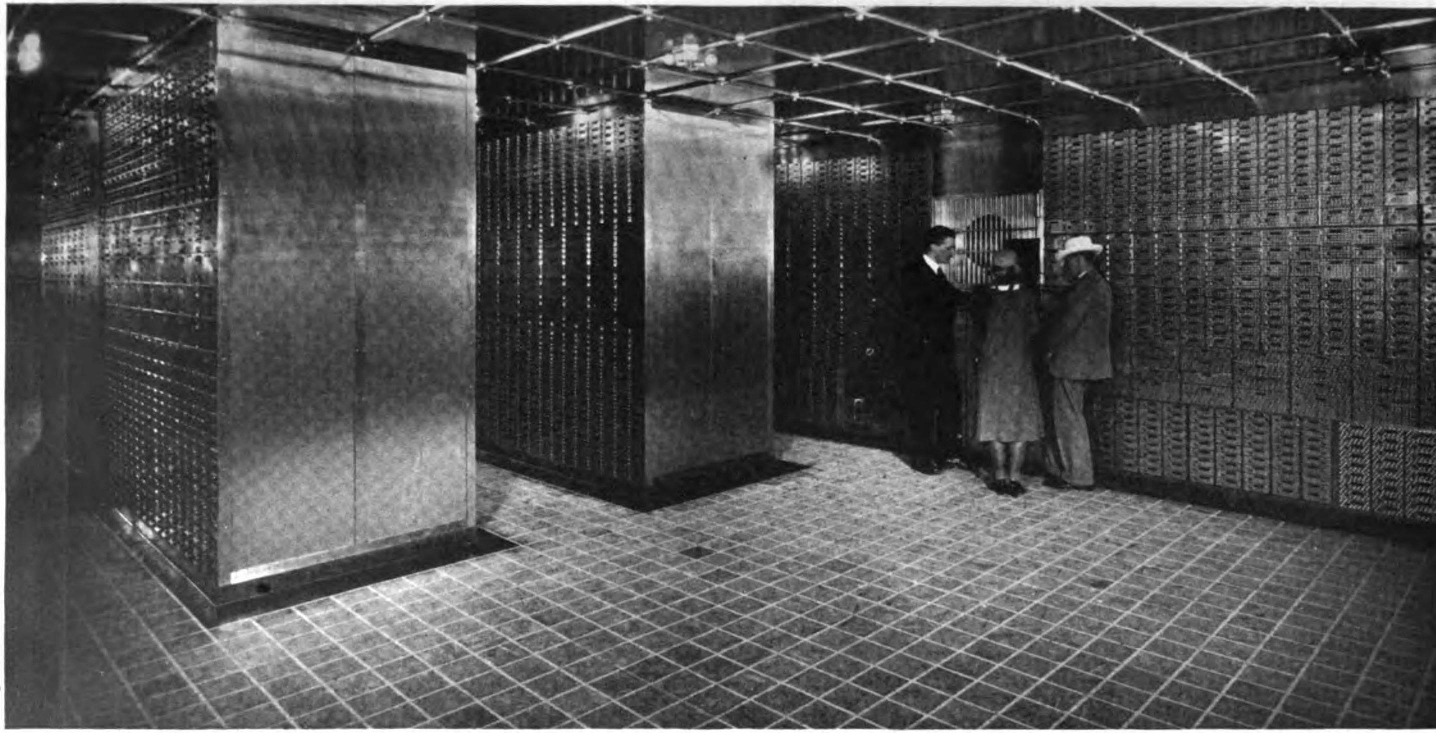
Who succeeds Frederick R. Fenton, deceased, as executive secretary of the Investment Bankers Association of America. Mr. Little was born in St. Louis in 1881, and was educated at Cornell University. In 1901 he entered his father's investment firm, the Little and Hayes Investment Company, as secretary. In 1913 he became vice-president of the company, but left that position in 1918 to become a vice-president of the Mortgage Trust Company of St. Louis, in charge of the municipal bond department. In June, 1921, Mr. Little organized his own investment firm of Little & Moore, Inc., and became its president. He will sever his connection with that firm to devote all his time to the activities of the association.

EXAMPLES OF RECENT BANK BUILDING OPERATIONS

The stairway in the Wayne National Bank, Goldsboro, N. C., designed by Alfred C. Bossom, bank architect, New York.

Interior of the Palisade Trust and Guaranty Company, Englewood, N. J. The half-timber and rough plaster style harmonizes with the English exterior of the building. The banking screen is of Italian Rosato marble up to the ledge, and above the ledge is of quartered oak. The floor is in a rubber tile of marble design. The officers' quarters are at the left, and at the right are the safe deposit vaults and the ladies' room. The building was remodeled under the supervision of Holmes & Winslow, bank architects, New York.

This English character building for the Palisade Trust and Guaranty Company, Englewood, N. J., additions to which were recently completed by Holmes & Winslow, bank architects, New York, is of stone laid up in Ashlar design and with a flat red roofing tile.

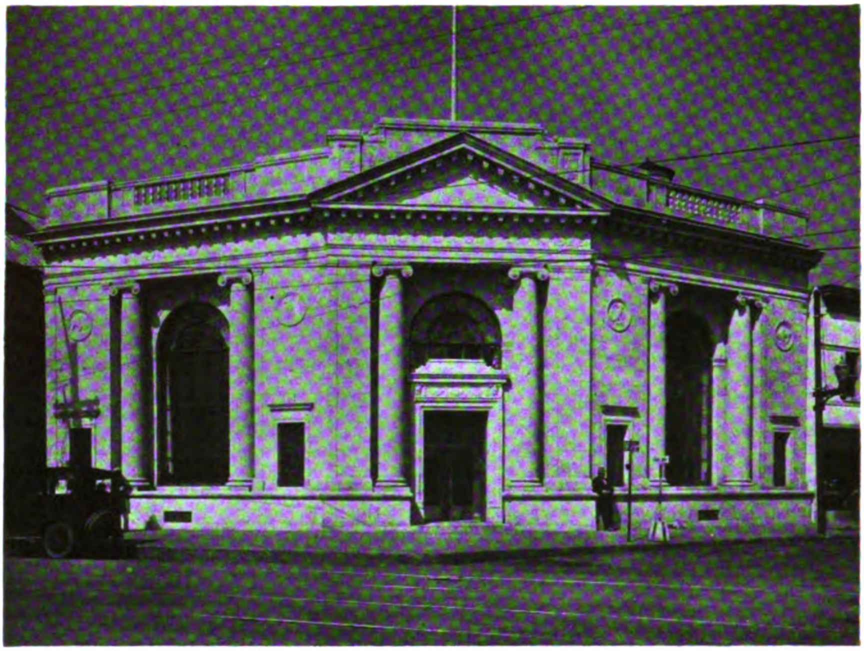


Partial view of the safe deposit department in the vault of the Plainfield Trust Company, Plainfield, N. J., designed, manufactured and installed by Herring-Hall-Marvin Safe Co., Hamilton, O., and New York, N. Y.

The lobby of the new Euclid Avenue office of the Central National Bank, Cleveland, O., on the date of its formal opening. Walker & Weeks were the architects. This is the first branch the Central National Bank has established.

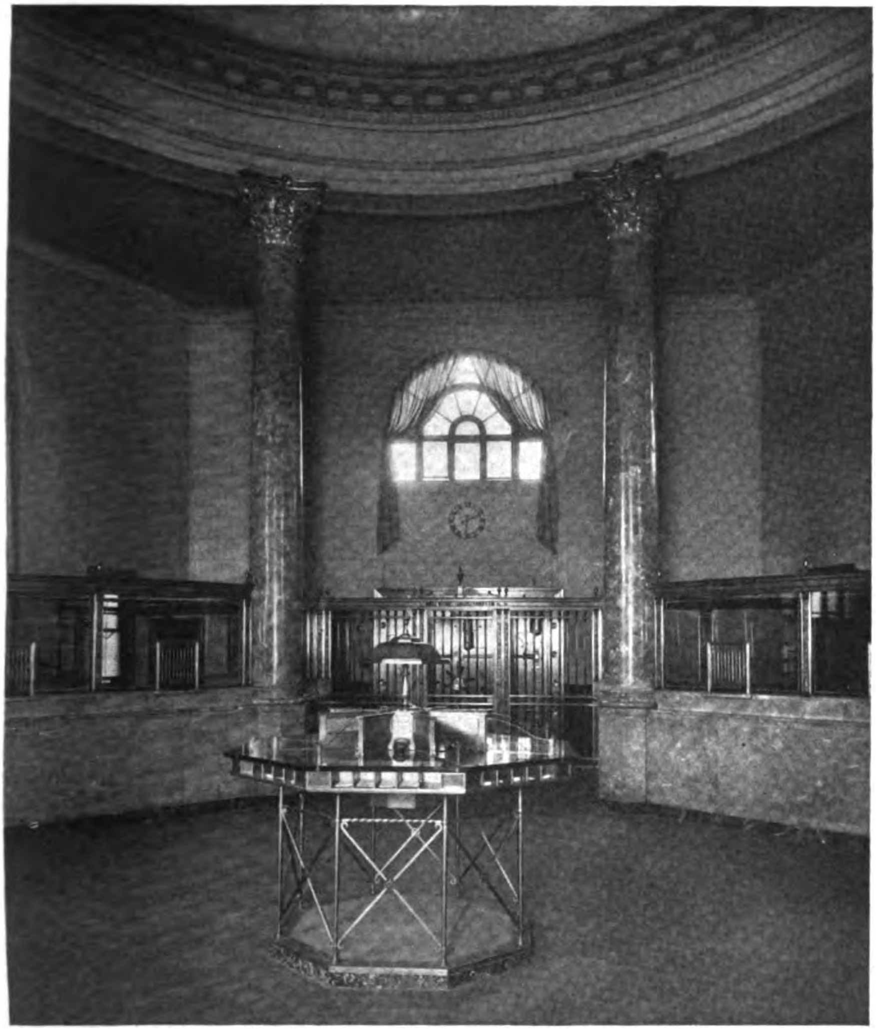
Officers' platform of the new Euclid Avenue office of the Central National Bank, Cleveland, O., on opening day. Vice-presidents J. C. McHannan, A. M. Corcoran and C. L. Corcoran are in charge of the the new office, and assistant cashiers G. R. Wyman and W. P. Abbott are also assigned there.

The architects' drawing of the building now under construction for the Putnam Trust Company, Greenwich, Conn., which was designed by and is being erected under the supervision of Morgan, French & Co., Inc., architects and engineers, New York.



The new building of the Freeport Bank, Freeport, N. Y., designed by Purdy & Davis, New York, has an exterior of limestone with a granite base and metal windows. The building is entirely fireproof.

The Ohio Savings and Trust Company, Akron, Ohio, showing the steel window casements installed by the Crittall Casement Window Company, Detroit. Waiker & Weeks were the architects.



The interior of the Freeport Bank, Freeport, N. Y., designed by Purdy & Davis, New York, has a Terrazzo floor in pattern, and a marble and bronze counter screen. The vault shown at the rear was built by the York Safe & Lock Co., York, Pa.

This enormous birthday cake with which the Granite Trust Company, Quincy, Mass., celebrated its ninetieth anniversary, weighed 411 pounds and was 16½ feet in circumference. Into its making went 1243 eggs. Around the edge are ninety candles. The cake was displayed in the bank's lobby for a few days and then cut by Dr. Jeffrey R. Brackett, grandson of Lemuel Brackett, first president of the bank. The first nine pieces of the cake, suggesting the nine decades of the bank's life, were sent to: Calvin Coolidge, President of the United States; Alvin Fuller, Governor of Massachusetts; William S. Youngman, Treasurer of Massachusetts; Roy A. Hovey, Massachusetts Bank Commissioner; Louis A. Frothingham, Congressman; Perley E. Barbour, Mayor of Quincy; the Quincy Savings Bank, Quincy, Mass.; Capt. Felipe Fleiss of A. R. A. Rivadavia, Argentina; and Miss M. F. Underwood, Washington, D. C., a former member of the staff of the bank. It was thought that, giving pieces of the cake to customers, it would last two or three days, but it was all disposed of in less than three hours. People said it was good, too.

CALIFORNIA BANK MEN BUY INTEREST IN NATIONAL CITY

A. M. Chaffey, G. Allan Hancock, A. N. Kemp, George .A. J. Howard, Harry J. Bauer, and others affiliated with the California Bank, Los Angeles, Calif., have purchased an interest in the National City Bank of that city and will become members of the board.

The National City Bank, which opened in 1923, has become one of the outstanding banks of Los Angeles in the short time of three years. During its first year of business it acquired over $6,000,000 of deposits, and in the last two years, its deposits have more than doubled. It now has resources of approximately $15,000,000.

The bank will not be merged, but will be operated as before as an independent bank, with the same personnel, with the exception of the above noted addition to its directorate.

A SEA TRIP TO THE CONVENTION

The International Mercantile Marine Company, New York, has designated the liner "Finland" to carry delegates to the American Bankers Association Convention by way of the Panama Canal. The "Finland" will sail from New York on September 16. The features of the trip include: An auto trip at Havana; passage through the Panama Canal by daylight; a call at Balboa, the model American town where Panama Canal officials have their homes; a visit to the ruins of old Panama and an evening in Panama City.

The party will be landed at San Diego

Clark B. Davis

President of the City National Bank and Trust Company of Miami, Fla., which has recently taken over two other banks in Miami.

and taken across the Mexican border for a glimpse at Tijuana. After a short visit at Coronado Beach, they will go by train to Los Angeles for the convention.

The plans for the trip include return as well. Following the convention, the party will go to the Mission Inn at Riverside for a day in the orange country; and thence by a Santa Fe limited train to the Grand Canyon for another day. The trip from Chicago to New York will be on the Twentieth Century Limited, arriving at New York on the morning of October 12

THE YEN MARKET

Robert E. Saunders, foreign exchange broker, New York, reports that "the New York yen market has been repeating the same see saw movement within the same narrow range, keeping a steady undertone with marked resistance around 46¾. In spite of the fact that the Shanghai market moved within wide ranges, the New York market moved within comparatively narrow limits. The yen seems to indicate a more or less steady upward tendency."

CITY NATIONAL, MIAMI, ABSORBS TWO

The City National Bank of Miami, which recently changed its name to the City National Bank and Trust Company of Miami, Fla., has completed arrangements for the merger with it of the Miami Bank and Trust Company and the Commercial Bank and Trust Company, both of Miami.

Clark B. Davis will continue as president of the consolidated institution, with S. M. Tatum as chairman of the board, and Ralph H. Buss as vice-president. Officers of the City National and of the two banks taken over will compose the rest of the executive staff.

The City National's original capital of

Ralph H. Buss

Vice-president City National Bank and Trust Company of Miami, Florida, which has recently taken over two other banks in Miami.

R. C. PATTERSON

Special representative of the travel department of the Union Trust Company, Cleveland, Ohio, formerly city ticket agent of the New York Central, and later agent of the Consolidated Ticket Office

$1,000,000 and surplus of $250,000 have been increased by the merger to $2,000,000 capital and $500,000 surplus. The combined bank now has deposits of $20,000,000.

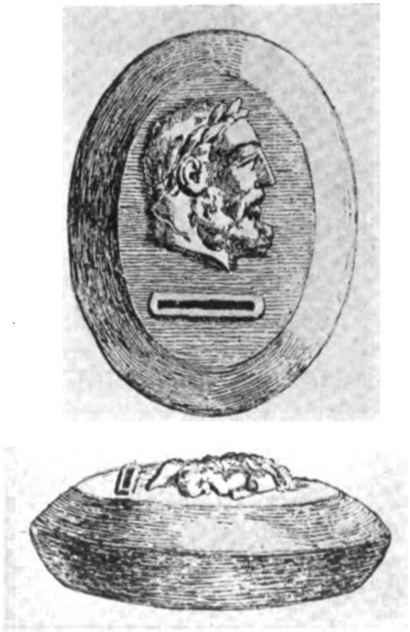
The bank recently organized the City National Company, with capital of $250,000, to engage in a general finance business. The bank stockholders were given the privilege of subscribing for stock in the new company at the rate of one share for each share of bank stock held.

A TAMPA MERGER

THE National Bank of Commerce, Tampa, Fla., has been consolidated with the Citizens Bank and Trust Company of that city, the latter bank also taking over the Commercial State Bank, formerly the Bank of Commerce, at the same time. The latter will continue at its present quarters, but the National Bank of Commerce will be made a part of the Citizens bank. This merger will give the Citizens Bank and Trust capital, surplus and undivided profits of about $2,800,000. L. A. Bize, president of the Citizens Bank and Trust Company announced that Hatton B. Rogers, president of the National Bank of Commerce, will become associated with the Citizens Bank and Trust.

CORN EXCHANGE TAKES OVER THIRD NATIONAL

ARRANGEMENTS have been completed for the merger of the Corn Exchange National Bank, Philadelphia, Pa., and the Third National Bank of that city. Shares of the Third National will be exchanged for stock of the Corn Exchange in the ratio of one share of Corn Exchange stock for two shares of Third



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Savings banks haven't changed much. This money box of Greek design is very similar to the home banks used to stimulate savings today. And it carries the head of Hercules on the front to suggest strength, much as our savings banks build stately buildings to suggest dignity and strength.

National stock. The consolidated bank will have capital of $2,700,000, surplus of $7,300,000, and undivided profits of $830,000.

TO WIDEN ACCEPTANCE MARKET

IN the effort to widen the market for bankers' acceptances, a bill has been passed by the New York State legislature to allow life insurance companies to invest their funds in these securities. The passage of this law will do much toward creating the active discount market so much desired by leading bankers. The companies will undoubtedly find many ways to utilize this very popular and safe form of investment, if it is made legal for them.

Acceptances have been legal investments for insurance companies other than life insurance companies in New Jersey and Connecticut; and have been legal for life insurance companies in Massachusetts for some time.

RESTRICTION OF SMALL BANKS IN SOUTH CAROLINA

SENATOR D. A. Spivy of Horry, S. C., a former president of the South Carolina Bankers Association, has introduced a bill providing that no bank be permitted to organize in South Carolina with a capital stock of less than $25,000 fully paid in cash, the purpose being to restrict the organization of a multitude of small, weak banks which contribute so largely to the total of bank failures.

OMAHA BANKS INSTITUTE CHARGE ON OVERDRAFTS

OMAHA has followed the lead of the Guaranty Trust Company, Cambridge, Mass., (see THE BANKERS MAGAZINE for September, 1925, page 399) in penalizing overdrafts by making a small charge for them. The Omaha Clearing House banks and all state banks in Omaha have agreed to charge 25 cents for each overdraft in the future, in the effort to stop the abuse, which has been giving them much trouble, in spite of a state law prohibiting drafts against "insufficient funds."

STATE BANKERS CONVENTIONS

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.

Arizona—at Nogales, October 22-23.

Nebraska—at Lincoln, November 11-12.

OTHER CONVENTIONS

American Institute of Banking—at Dallas, Texas, July 12-17.

Savings Banks Association of Massachusetts—at Chatham, Mass., September 17-18.

Financial Advertisers' Association—at Detroit, Mich., September 20-23.

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.

Association of Bank Women—at Los Angeles, Calif., October 4-6.

Investment Bankers Association—at Quebec, Canada, October 11-15.

Morris Plan Bankers Association—at Asheville, N. C., October 18-20.

National Association of Mutual Savings Banks — at Philadelphia, Pa., October 18-22.

Canadian Bankers' Association—at Montreal, Canada, November 12.

BOOK REVIEWS AND NEW BOOKS

LIFE AND LETTERS OF THOMAS JEFFERSON. By Francis W. Hirst. N. Y.: Macmillan. $6.

THOMAS Jefferson, whose memory is kept green in the phrase "Jeffersonian democracy," is probably remembered by most as the man who drew up the Declaration of Independence. Yet the drafting of the Declaration was but one of his many services to his country, and happened comparatively early in a long and busy life. Witness the bare outline of his work:

He was educated for the law, and immediately took an interest in politics— as lawyers still do. At the age of 26 he was elected to the Virginia House of Burgesses, and from there went to the Continental Congress to do his most famous work in writing the Declaration of Independence. Returning to local politics, he served again in the Virginia House of Representatives, and as Governor of Virginia.

He was elected to Congress, and as a member of the currency committee, helped to found the present monetary system of the United States. Like most of the economists of that time, he favored a bi-metallic standard of silver and gold in the ratio of fifteen to one. Congress later appointed him a minister plenipotentiary to assist Benjamin Franklin and John Adams in negotiating treaties of commerce with foreign nations. He succeeded Franklin as Minister to France, and remained there until after the outbreak of the French Revolution. It is interesting to note that the United States was then in the position of France at present. She owed France more than she believed she could ever pay, and was trying by all possible means to defer payment or refund the debt. A recollection of this will help Americans to be a little more patient with France's plight.

Upon Jefferson's return, he served as Secretary of State under Washington for one term. It was during this time that he had the bitter quarrel with Alexander Hamilton, who was then serving as Secretary of the Treasury. Hamilton had a leaning toward monarchy, and therefore, favored a strong central government. Jefferson was for a strict construction of the constitution and the preservation of "states rights." Though the motive of the restoration of monarchy must be condemned, history both before and after that time has vindicated Hamilton's idea of a strong central government. The United States under the loose Articles of Confederation, could make no progress. And until the "states rights" question was partially settled by the Civil War, it constantly made trouble.

From 1801 to 1809, Jefferson served as president, his most notable achievements in this office being the Louisiana Purchase, and the Lewis and Clarke exploration. He was perhaps prouder of the fact that he kept the country out of war, which was constantly invited by the aggressions of Britain and France at that time.

In spite of a life of almost constant public service, Mr. Hirst pictures Jefferson as essentially a student, a lover of leisure. After each term of office, he would retire to Monticello and domesticate himself, only to be drawn back into public life again when some new question came up on which he had strong opinions.

He had, it seems, an exceptionally wide range of interests. He was interested in education, agriculture, natural philosophy, the classics, architecture, politics, economics, and geography. Naturally, with such interests, he carried on a voluminous correspondence with people all over the world, a great deal of which correspondence Mr. Hirst includes in this book.

His views on money and credit are a curious mixture of sound and unsound. They are presented in considerable detail in the book, for Mr. Hirst, formerly an editor of the London *Economist*, is himself interested in finance. Jefferson urged the adoption of the decimal system and the dollar, and yet he was a bimetallist. He opposed the issue of paper money by the states, and yet he was also opposed to any central banking authority, and did all he could to prevent the organization of the First Bank of the United States.

Toward the end of his life, Jefferson lost all interest in politics and political questions, and turned instead to education. Thus he left behind him a real monument, in the University of Virginia, which he organized and for which he designed the buildings. Architecture was always one of his favorite hobbies.

Mr. Hirst says that he wrote this "life" because he noticed that "by English writers Jefferson has been strangely neglected." He is to be congratulated on the disinterested attitude he has achieved in the events of Jefferson's life which concern England. As for the book as a whole, it is written carefully and soberly, aiming at accuracy, rather than interest. The story is relieved by but few anecdotes. This may be because Jefferson was the serious, careful kind of person about whom there are few anecdotes extant. The effect is to make the book seem too long, and a trifle dull.

FINANCIAL INDEPENDENCE: HOW TO WIN IT. By Harvey A. Blodgett. N. Y.: Appleton. $1.50.

THERE are, according to Mr. Blodgett, certain definite steps along which one must climb, if one is to reach financial independence with the least expenditure of time and effort. The desire for financial independence is practically universal. Ignorance of how to go about it is just about as universal. Many books and many people preach the necessity of thrift. But too few tell just how to go about it. In fact, the author claims that this is the first book to lay down a definite thrift program.

The rules are fairly simple. He who would gain financial independence must first of all *decide* to become independent. This decision must be more than a pious wish; it must be a firm resolve. Then he must learn to think straight, and plan how to attain this independence. This learning to think straight will not only aid him in his struggle for independence, but will help him in the business world. But it is much easier to decide to think straight than to actually do it. In fact this part is the most difficult of the whole program.

The plan being mapped out, to put it into execution one must master the arts of saving and spending. He must guard against waste. He must cultivate the habit of industry. He should establish a connection with a good bank, go into debt wisely, use the capital he has saved for profit, and take measures to conserve the capital he has acquired.

These are the principles. But the author does a great deal more than merely lay down principles. He advises saving. He exhorts and pleads for saving. He even tries, pretty successfully, to make saving attractive. For he knows that if he can make the reader *want* to save, most of the work is done. And if one could only open a savings account and begin the saving habit while the spell of Mr. Blodgett's language is upon one, thrift would be much more widespread than it is today. In addition, the author tries to help by suggesting possible economies, budgeting, and regular banking of savings to form the habit.

Assuming that the reader learns in time to save, and that a substantial sum is accumulated, he turns to the problem of keeping those savings and putting them to work. It is hard to save, but it is almost as hard to invest safely the amount saved. Mr. Blodgett works in a good deal of sound advice under this head, cautioning the investor to avoid schemes offering high returns, and to consult his bank on investments. Fnally, the goal having been reached, the prudent man will take out life insurance and make a will and thus provide for the financial independence of his family whether he is alive or not.

The book is a good one. Its central idea is horse sense, and it's written in plain language which anyone can understand, so that the idea gets across. And it's an idea that is sadly in need of putting across these days.

NOTES

ANDREW RUSSELL, former state auditor of Illinois, and Frank M. Huston, of the Chicago Federal Reserve Bank, are collecting information for a history of banks and banking in Illinois.

TWO very interesting pamphlets have been published by the Committee on Bank Costs and County Credit Bureaus of the Minnesota Bankers Association. One is entitled "Does the Account Pay?" giving a simple plan for the analysis of accounts with forms, and including also forms for a monthly analysis of receipts and disbursements and undivided profits of a bank. The other is "A Plan for County Credit Bureaus," giving proposed articles of association and by-laws of such a bureau and a detailed explanation of the installation and operation of a country credit bureau, with the forms to be used in checking up duplicate borrowers.

GILBERT T. STEPHENSON, vice-president of the Wachovia Bank and Trust Company, Raleigh, N. C., has written a 350-page book on "Living Trusts" which is to be published in October. Mr. Stephenson is qualified by experience as a lawyer and banker to explain the living trust to the layman, and others.

THE First National Bank of Chicago has reprinted in booklet form Forrest Crissey's interview with James Simpson, president of Marshall Field & Co., on the Federal Reserve System. The interview was originally published as an article in the *Nation's Business*. Copies may be had on request.

THE Seaboard National Bank, New York, has published a very useful little book of "Practical Suggestions for Travel Abroad." It describes all the details the traveler must take care of before leaving; answers the questions that arise on ship board; contains valuable hints about life and travel abroad; and explains the customs regulations on returning. It also includes all kinds of helpful information: conversion tables of foreign money, a cable and mailing schedule, and (most thoughtful of all) blank pages for an itinerary of the trip, the addresses of acquaintances made, special points of interest, shopping, presents to buy, and matters to be attended to before returning. It is a boon to the inexperienced traveler.

NEWSPAPERS, their growth and contribution to the economic life of the United States, are discussed in the fourth volume in the Manhattan Library of Popular Economics, published by the Bank of the Manhattan Company, New York. It is called "News and Progress," and presents the newspaper as selling service and ideas, serving the community, distributing the nation's goods, and unifying the thought of a great nation.

TABLES comparing the net return from tax exempt and taxable securities not only on securities subject to both Federal normal and surtax, but on securities on which 2 per cent. of the normal tax has been paid, and exempt securities, are contained in "Tax Exempt and Taxable Securities," a booklet recently issued by the Bankers Trust Company, New York.

THE Association of Bank Women has published a booklet, giving the history of the association, its purposes, the present officers, the qualifications for merbership, and a complete list of the present members.

ANALYSIS of checking accounts has been advocated for some time by thoughtful bankers. It is necessary to eliminate unprofitable accounts. Handbooks telling how to go about this analysis are all too few. Hence the "Manual on Analysis of Checking Accounts," recently published by the Illinois Bankers Association and distributed to its members marks another step forward in this movement. It will be a great help.

IN commemoration of its seventy-fifth anniversary, the Williamsburgh Savings Bank, Brooklyn, N. Y., has issued a limited number of very handsome books on "Historic Williamsburgh," giving the history of that region from the earliest times to the present. The book was written and is autographed by John V. Jewell, president of the bank, and is illustrated with numerous line drawings, engravings, photographs, and curious old maps.

THE Committee on Public Relations of the eastern railroads has found a new way of showing how the revenues of the railroads are distributed. On an ordinary calendar, days on which the revenue received went to the different expenditures —wages, fuel, materials and supplies, operating expenses, taxes, interest and rent, and dividends—are shown in distinctive colors. All the revenues up to June go to wages. The poster will be displayed in railroad stations this summer.

PUBLICATIONS OF INTEREST TO BANKERS

ADVERTISING COPY: PRINCIPLES AND PRACTICE. By Lloyd D. Herrold. Chicago: A. W. Shaw Company. $6.

THE SECRET OF HIGH WAGES. By Bertram Austin and L. W. Francis. N. Y.: Dodd, Mead. $1.25.

MIDAS, OR, THE UNITED STATES AND THE FUTURE. C. H. Bretherton. N. Y.: Dutton. $1.

AMERICAN OPINION OF GERMAN UNIFICATION 1848-1871. By John G. Gazley. N. Y.: Longmans, Green. $4.50.

RAPID BUSINESS ARITHMETIC. By R. W. M. Gibbs, N. Y.: Oxford University Press. 70 cents.

LAKE'S MONTHLY INSTALMENT AND INTEREST TABLES. Oakland, Calif.: A. V. Lake & Co. $3.50.

AUTOBIOGRAPHY OF JOHN STUART MILL. By J. S. Mill. N. Y.: Columbia University Press. $1.50.

MODERN BUSINESS ARITHMETIC. By George H. Van Tuyl. N. Y.: American Book Co. $2.60.

GERMANY'S INDUSTRIAL REVIVAL. By Philip Dawson. N. Y.: Macmillan. $3.50.

MONEY AND THE MONEY IN INDIA. By P. A. Wadia and G. N. Joshi. N. Y.: Macmillan. $8.40.

MODERN BUSINESS — THE BUSINESS MAN IN SOCIETY. By L. C. Marshall and Mildred J. Wiese. N. Y.: Macmillan. $1.60.

THE STORY OF THE WESTERN RAILROADS. By Robert E. Riegel. N. Y.: Macmillan. $2.50.

SOCIAL CONTROL OF BUSINESS. By J. M. Clark. Chicago: University of Chicago Press. $4.

PEGASUS, OR PROBLEMS OF TRANSPORTATION. By J. F. C. Fuller. N. Y.: Dutton. $1.

DEPENDENT AMERICA. By William C. Redfield, Boston: Houghton, Mifflin Co., $2.50.

READINGS IN MONEY, CREDIT AND BANKING. By Ivan Wright. N. Y.: Harper & Bros.

THE FUGGER NEWS-LETTERS: SECOND SERIES. Edited by Victor von Klarwill. N. Y.: Putnam. $6.

PROFITS, DIVIDENDS AND THE LAW. By Prosper Reiter, Jr., N. Y.: Ronald Press. $4.50.

PUTNAM'S ECONOMIC ATLAS; a systematic survey of the world's trade, economic resources, and communications. By George Philip and T. S. Sheldrake. N. Y.: Putnam. $19.75.

FORECASTING, PLANNING, AND BUDGETING IN BUSINESS MANAGEMENT. By Percival White. N. Y.: McGraw-Hill. $2.50.

AN INVESTMENT TRUST FUND. By Edgar Lawrence Smith. N. Y.: Investment Managers Company.

THE INTEREST STANDARD OF CURRENCY. By Ernst Dick. Boston: Houghton Mifflin. $5.

AN ECONOMIC PRIMER. By Joseph W. Hannan. Boston: Christopher Pub. House. $1.50.

THE ETHICS OF BUSINESS; A STUDY OF CURRENT STANDARDS. By Edgar L. Heermance. N. Y.: Harper. $2.

SCIENTIFIC FOUNDATIONS OF BUSINESS ADMINISTRATION. By H. A. Overstreet and others. Baltimore: Williams & Wilkins. $5.

THE HUMAN FACTOR IN BUSINESS. By Benjamin Rowntree. N. Y.: Longmans, Green. $1.50.

THE ECONOMIC ILLUSION. By Bertram Arthur. N. Y.: Thomas Seltzer. $2.50.

RULES OF ORDER FOR BUSINESS MEN. By E. S. King. Lansing, Mich.: Michigan Education Co. $1.50.

THE WAR PERIOD OF AMERICAN FINANCE. By Alexander Dana Noyes. N. Y.: Putnam. $2.50.

BANKING AND BUSINESS (Revised edition). By H. Parker Willis and George W. Edwards. N. Y.: Harper & Bros. $3.50.

THE SCIENCE OF PUBLIC FINANCE. By Z. Findlay Shirras. N. Y.: Macmillan. $7.

RELIGION AND THE RISE OF CAPITALISM. By Richard H. Tawney. N. Y.: Harcourt, Brace. $3.50.

BOOKS RECEIVED

THE FEDERAL INTERMEDIATE CREDIT SYSTEM. By Claude L. Benner. N. Y.: Macmillan. $2.50.

GETTING AHEAD IN THE BANK. By Herbert Dee Ivey. Indianapolis: Bobbs-Merrill. $1.50.

I'LL NEVER MOVE AGAIN. By Fitzhugh Green. N. Y.: Dutton. $2.

THE BUREAU OF THE MINT; ITS HISTORY, ACTIVITIES AND ORGANIZATION. By Jesse P. Watson. Baltimore; Johns Hopkins Press. $1.

THE OFFICE OF THE COMPTROLLER OF THE CURRENCY; ITS HISTORY, ACTIVITIES AND ORGANIZATION. By John G. Heinberg. Baltimore: Johns Hopkins Press. $1.

TWENTIETH CENTURY ADVERTISING. By George French. New York: D. Van Nostrand Co. $6.

INVESTING IN FOREIGN SECURITIES. By George W. Edwards. N. Y.: Ronald Press. $5.

NEW YORK LAWS AFFECTING BUSINESS CORPORATIONS. Edited by J. B. R. Smith. N. Y.: United States Corporation Company. $2.

FOREIGN EXCHANGE ACCOUNTING. By Christian Djorup. N. Y.: Prentice-Hall. $10.

INTRODUCTORY ACCOUNTING. By J. A. Powelson. N. Y.: Prentice-Hall. $5.

August 1926

The BANKERS MAGAZINE

80TH YEAR

How Should a Bank Use Its Funds?

Instalment Facts Refute Instalment Fancies

American Institute of Banking Convention

Financial Advertisers Meet in Philadelphia

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Editorial Comment

McFADDEN BILL SLEEPS

DIFFERENCES of opinion regarding branch banking prevented the enactment of the McFadden Bill at the session of Congress which closed last month. The defeat of this measure is a cause for rejoicing rather than regret. There was a good deal of dishonesty and underhandedness in the measure, and on this ground alone the bill should have been rejected. While the bill contained a number of provisions amendatory of the National Banking Act and the Federal Reserve Act, the provisions that attracted most attention were those permitting branch banking to national banks under certain restrictions. Strangely enough, the claim was made by friends of the measure that it was a bill to prohibit the extension of branch banking. As a matter of fact it had exactly the opposite aim—to legalize branch banking by the national banks. In practice it may be doubted whether such legalization is now necessary. By one means or another the national banks in the large cities are already doing about everything they could have done had the McFadden Bill become law. They are buying up state banks and converting them into branches, and opening as many additional "offices" as circumstances require. These methods are of doubtful legality, and there is danger that at some time their employment may be successfully challenged. But should this development continue, in time we shall have branch banking in the cities, whether authorized by act of Congress or not. And this was about all the extension of branch banking contemplated by the McFadden Bill True enough, it did aim to put some restrictions on the extension of branches of state banks. But, in practice, not much can be done in this direction. Congress can neither authorize nor prohibit branches of state banks. All it can do is to keep banks with branches out of the Federal Reserve System, providing these branches are set up in a way not sanctioned by Congress. As a practical question, it would come to this with the state banks: whether they valued most their privilege of establishing branches, as freely as authorized by state law, more highly than membership in the Federal Reserve System.

The division of opinion among bankers and in Congress over this question shows quite clearly that neither the bankers nor the people have reached any definite conclusions regarding branch banking. If the problem could be put in a definite form, as to whether we want branch banking or not, a decision would be easier. But it is now impossible to formulate a clear-cut issue like this. We have branch banking already authorized by law in twenty states at least, with many branches of state banks in operation, while in several of the larger cities the national banks have branches originally acquired by purchase of state banks, and "offices" established by permission of the Comptroller of the Currency. About all Congress can do is to limit by legislation the further extension of state branch banking within the Federal Reserve System, and to prescribe also the restrictions upon branch banks within the National Banking System. Any legislation may be made effectual in extending branches of national banks, but it is extremely doubtful that it will be a hindrance to the state banks in extending their branch operations to any desired extent.

The merits of branch banking and of independent banking may well be further considered before legislation is undertaken. Should it be found desirable to adopt the former, we might as well have it without restrictions that would hamper its complete efficacy. On the other hand, if we do not want branch banking, a campaign of education should be launched against it that might in time lead the states to prohibit it altogether. It must be recognized that as branch banking develops, and proves its usefulness, it will become increasingly difficult to dislodge it from the public favor.

There was another provision in the McFadden Bill which ought to have insured its defeat, and that was the amendment for an indefinite renewal of the charters of the Federal Reserve Banks. This was put on as a "rider" after the bill had twice passed the House. As no emergency exists for the immediate renewal of these charters, the attempt to legislate on so important a subject in an underhand way is wholly reprehensible. At the proper time a separate bill should be prepared for the rechartering of these banks, free from extraneous matters, so that public opinion may be concentrated on the Federal Reserve System itself and such improvements made in it as further experience may suggest.

Unfortunately, banking opinion in this country is none too clear at the present time. We are in need of more education of bankers and the people both in respect to banking and currency, since neither our practice nor legislation has reached a sound basis. The Pittman Act showed that the country is still tainted with the silver heresy. The Federal Reserve Act showed that we still believe in the Government fiat attached to money. Annual failures of several hundred banks prove that we need better banking. Bills of the type of that which recently failed in Congress will not provide the needed remedy.

FAILURE OF FARM LEGISLATION

CONGRESS at its recent session failed to agree on any comprehensive plan for aid to agriculture. Probably this was less due to the indisposition of Senators and Representatives to help the farmer than to their inability to see just how they were able to help him by legislation. Vagaries of the weather, which are a potent source of agricultural distress, are incapable of correction by act of Congress. Neither can law make a good business man out of a poor one nor insure that farming or any other business shall uniformly yield a satisfactory profit. But all of us have developed such profound faith in the power of legislation to remedy individual ills that we need not blame the farmer for seeking the same remedy which others have invoked.

Could a protective duty on farm products supply the desired alleviation, this remedy would be comparatively easy of applicaton. But where a country does not largely import agricultural products, the case is different. Many think that the farmer would be greatly benefited by a reduction of the tariff on commodities that the farmer must buy, thus causing a reduction in the price of these commodities. But that is a view that does not appeal to the party now in power.

The plan most favored at the recent session of Congress was for the Government to appropriate a large sum of money to be used for buying up, and gradually selling abroad, the surplus of any one farm production each year. Losses sustained in this operation were to be recouped by a tax on other farm crops. This would be merely robbing Peter to pay Paul.

While the proposed legislation was pending at Washington Secretary Mellon wrote a letter on the subject to certain members of the House, in which he said:

"It seems to me that we can advance further in aid to the farmer if we try to work with and not against the teachings of experience.

"A way out of the difficulties lies in the elimination of waste between the producer and consumer, so that the farmer may receive a higher net price and yet the ultimate consumer not have to pay more."

These common-sense observations of a very keen and practical business man contain the leading principles that should guide those who expect to be of real helpfulness to the farmer, whether by legislation or otherwise.

ENSLAVING EUROPE

CATCH-WORDS of various kinds make a strong appeal in these days. It is so much easier for all of us to be beguiled by an alluring phrase than to study any given problem and think it out for ourselves. Perhaps in no country in the world do slogans and catch-words have so wide a vogue as here in the United States. These and pictures constitute our chief relief from indulging in the laborious processes of study and thought. They seem not to be strangers to the telling nature of a catch-phrase on the other side of the water, where just now an outcry is being raised over the danger that the United States means to "enslave Europe."

This is an alliterative and pretty phrase, though without meaning.

In the first place, whatever may be the shortcomings of Americans, they have a fair amount of business sense. Our people want to trade with Europe; but we long ago escaped from the idea that much profit was to be had in trading with slaves.

That we have any desire of enslaving Europe financially or otherwise, or that the insistence on the payment of debts owing us in that quarter of the world is an evidence of such purpose, no dispassionate observer can believe.

Lately there have been expressions of opinion on this subject, on both sides of the water, calculated to remove this debt question from the realm of severely practical things where it essentially belongs to that of pure idealism and emotion. One American thinks our country will be dishonored by insisting that these debts be paid. Youths in another land see their country enslaved if it shall be required to meet its obligations.

It apparently does not occur to the American that dishonor attaches rather to the repudiation of an obligation than to the demand for its fulfillment. Nor do the youths who talk about their country being enslaved seem to remember that nations that do not meet their obligations are precisely the ones most in danger of becoming enslaved.

Talk of the kind referred to is wholly idle. So also is the new hymn of hate against the United States, whose chorus, we are told, is being sung in all lands. You do not discharge a debt by hating your creditor. Tears and curses are alike unavailing as payment.

The more this debt question is sought to be transferred from the realm of common sense to that of fancy, the greater will be the difficulty of clearing up what is a very difficult problem. When all countries have shown a disposition to meet their obligations to the extent of their ability, then it will be the part of the United States to make a fresh examination of the whole question and to determine what best be done under the circumstances.

While the people of the United States may smile at the attempts being made to stir up hatred against them, they would be less than human if they did not permit such attempts to stiffen their attitude on this debt question rather than to ameliorate it.

Justly may it be said that if sums advanced by the United States to other countries on account of the war were gifts, and understood to be such at the time they were made, then discussion of the return of these sums to this country is unseemly. If, on the other hand, these advances were in the nature of obligations, to be repaid in accordance with contracts entered into at the time, any question as to the duty of fulfilling these contracts is fruitless and worse. It is right that the creditor should give due consideration to the general effects, political and economic, which their strict fulfillment would entail. This has been done by this country already, and it can not be doubted that as time goes on the whole matter will be re-examined in the light of later experience. Meanwhile let it clearly be understood that if Europe is enslaved she herself will forge the chains.

A GENEROUS ACT

BEFORE leaving for Europe recently, George F. Baker, chairman of the board of the First National Bank of New York, gave to each of the junior officers and clerks of that institution a check for a year's salary. This gift was not a bonus from the bank, but a personal one to signify the donor's appreciation of the services which the recipients had rendered. A note accompanying each gift was signed "Affectionately, George F. Baker."

It is gratifying to record an event of this kind as further illustration of the fact that the banker in his human relations is little different from other men. He may be, and should be, exceedingly close in handling the funds of the bank, and perhaps more especially so in managing the funds of depositors. But with his own earnings he may exercise his own discretion, giving or withholding as he sees fit. That Mr. Baker has been most generous in giving his large contributions to educational and charitable institutions amply attest. It is estimated that perhaps no man has given so largely while still active in business.

But there is another phase of this latest benefaction which is no less gratifying. Reference is made to the reward it brings to the junior officers and clerks of the bank that the value of their services is recognized in a personal way by the institution's head as well as by the bank as an organization.

Speaking some years ago of pensions and profit-sharing schemes, the head of one of the New York banks said: "The boys in this bank know that if they do the right thing by us we will do the right thing by them." It is believed that banks generally are more alive than they formerly were to the desirability of paying their employes as liberally as circumstances will permit. Sound business considerations as well as humane motives dictate such a policy. We have reached the point in this country where in industry "cheap" labor is regarded as inefficient and expensive, and no sound reason exists why this should not apply to banking as well as to the mechanical industries. There are, in fact, few places where inefficient work will cause such havoc as in a bank, where care, accuracy and fidelity are indispensable.

AN UNSELFISH SERVICE

MUCH criticism has been aimed at the various services which America has extended to Europe in recent years, and this criticsm has nearly always assumed that whatever our people did was prompted by purely selfish motives. Quite properly this criticism has provoked but little irritation on this side of the water. It has been recognized that, in the main, it was prompted by disappointment in Europe because we had not rendered help in the way expected, but in our own way. Then it was understood that the peoples of the war-torn countries across the sea were in such a physical and mental state as to render them inpatient of what they considered the delay or unconcern in extending the kind of looked-for help. We were regarded as a great and powerful nation, extremely rich, substantially exempt from the great personal losses which many of the countries of Europe had sustained, and it was not easy for these war-racked peoples to understand our comparative unconcern for their troubles.

Not only have we been censured for our failure to take an active share in European political affairs, but our course in demanding payment of the debts Europe owes us has been characterized as harsh, and we have been held up to the world as "Shylocks."

Admitting that some of the criticism levelled at us may have had a foundation in truth, much may be said, in the nature of an offset. We have poured a lot of money into Europe without any other thought or purpose than to help those who were in urgent need, and who could be assisted from no other quarter. Many Americans have given their services unselfishly to aid in alleviating the ravages of war. An instance of this character, lately recorded in the newspapers, is peculiarly gratifying. For two years Jeremiah Smith, a Boston lawyer and economist, has been devoting his time and ability toward restoring Hungary to a sound financial position. His work was recently successfully completed, and the fee of $60,000 to which he was entitled for his services was refused, as were honor or compensation of any kind. This was a characteristic American action, typical of the best spirit of our country, and illustrates a desire shared by many of our people to be helpful without thought of personal gain.

FAVORABLE BUSINESS OUTLOOK

AT the end of the half-year the business outlook in the United States may be considered as decidedly favorable. With a Treasury surplus for the fiscal year ending June 30 of nearly $380,000,000, and an aggregate debt reduction for the year of upward of $670,000,000 the Government's finances are in good shape. As the tax yield making this surplus possible is derived in large part from business earnings, the evidence is clear that business has been good. It is, of course, to be borne in mind that in general this revenue was derived from business in the preceding calendar year, not from the first half of the present one, and that the surplus does not arise alone from a good tax yield, but from economy in public expenditures. Making these allowances, however, the indications the figures afford are of a favorable character.

Productive industries as a whole are active. There has been no such slump in building operations as was expected, automobile production is well maintained, and with few exceptions the same may be said of the other leading industries of the country. Better than all as a guaranty of a fair degree of stability is the good crop outlook; and, should present indications be borne out by later developments, bountiful crops will assure prosperity.

We have this year to reckon with an election for a complete new House of Representatives and a part of the Senate. But this does not constitute a serious threat to business, because whichever party may be triumphant no radical legislative changes are likely. These would be difficult to make in any event, since President Coolidge remains in office. There is, of course, some danger in the future complexion of Congress, arising not from either of the leading parties, but from the tendency—which may be augmented by the results of the election—for members from both parties to split up into groups representing special interests or particular sections of the country. Should this tendency continue to grow, it may cause confusion and even lead to that distrust of parliamentary government lately experienced in France and Italy, though the probabilities are that in any serious emergencies party lines are apt to be restored in the House and Senate.

The European situation, at the end of June, was still very much mixed, and from a source not to be regarded as sensational has recently been characterized as critical.

But here in the United States we have refused to take a gloomy view of things. Our people have gone on working and spending. The country, at the end of the first half of 1926, is prosperous. Our crop situation at present justifies the hope that it will continue so for another six months at least.

MORAL DISARMAMENT

REAL hope for the effectiveness of any program of entire or partial physical disarmament of the great nations of the world must rest upon a preceding stage of mental and moral disaramament. Until this fact is recognized and acted upon, the scrapping of navies and the disbandment of armies is bound to be both disappointing and dangerous. This would not be the case could we infer from physical disarmament that it really evidences a settled determination upon the part of the peoples of the world to substitute sweet reasonableness for force in the settlement of international disputes. No basis whatever exists for such a belief, and but little ground for hope.

This is not to scoff at the sincere efforts being made for world peace, nor to deny the possibility of their being ultimately crowned with success. It is simply to recognize a harsh and ugly fact.

Could we safely say that wars arise because of the ambitions of soldiers and sailors to fight, then ought we to lose no time in ridding ourselves of armies and navies. But it is not the chafing of these men for employment that brings on war. As a matter of fact, the soldiers and sailors who have had experience of war are precisely the ones who dread and abhor it most.

There is quite as much truth in the statement that war grows out of unpreparedness for it as in being thoroughly prepared; and the Great World War did not disprove this statement. Had England and the United States been as well prepared as were some of the other combatants, history's pages in recent years might have borne a different aspect.

Is there, then, no hope of peace? To admit this would be to give way to counsels of fear and despair. There is a discoverable pathway toward peace, which must be patiently sought and diligently followed once it is found. We shall approach it only as nations in their dealings with one another practice that degree of justice which already they have measurably achieved in their individual relations. And, furthermore, as we test out, and establish as the result of experience, methods of settling international controversies other than by a resort to force.

Additionally, the world needs considerable economic readjustment, so that burdens will not press more heavily upon the peoples of some countries than they are able to bear, while others almost entirely escape. This desideratum may sound altruistic, but surely in the light of recent experience it is not lacking in practical application to the tangled affairs of the world. The more favorably situated nations can afford, from a pure standpoint of self-interest, not only to contribute something toward the prosperity of other lands less favorably circumstanced, but to yield something out of their abundance, and to make concessions, in achieving this result.

In regard to one of the considerations above set forth we have done something already by giving our support to the World Court, and may do more by a further convocation of The Hague Conference.

But should there not be convened in the near future two additional world conferences? One of these might appropriately consider, as a preliminary to making physical disarmament effective, that mental and moral disarmament which is an indispensable condition to the success of grounding our arms and scrapping our navies. From such a conference the idealist and the professional pacifist might well be excluded. Wise statesmen and men of large affairs could more surely point out safe and practicable methods for reaching the desired end. The immorality of war needs the least emphasis. Its futility should be exhibited so clearly that none but the foolhardy would ever turn to it as a remedy. The world needs to be shown, in a practical fashion, how much better understanding and co-operation contribute to national greatness and individual well-being than do the brutal methods to

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HOW SHOULD A BANK USE ITS FUNDS?

By Waldo F. Mitchell

It is generally stated in works on banking, and by well known bankers, that a commercial bank should put its funds into short-time, self-liquidating, commercial loans. By this it is implied that the bank should lend its funds to aid in the distribution process, or for temporary manufacturing purposes. George H. Pownall, a London and Manchester banker, states this notion as follows: "Temporary advances for a trading or manufacturing purpose, or for any legitimate purpose, *so that the advance is temporary*, and the fact of advancing the money helps to make or sell the article out of which payment is to come, is our business. . . . If the banker locks any proportion of his means in a permanent form, then, his lending power as a banker is *pro ratio* diminished." Most writers on banking seem to make this principle of banking the foundation of good banking, and most bankers seem to believe in the principle—until one examines their balance sheets or portfolios.

The presupposition of this principle is that, since a bank has demand liabilities to meet, the bank can and must keep its funds in short-time paper, which will be paid off when due, and thus provide funds with which to meet demand liabilities. This fundamental principle and its presupposition of liquidating paper provide a beautiful picture of banking. But how untrue to life!

This notion of banking conceives the banking system as made up of individual, isolated banking units, which are compability" theory. The very basis of the pelled to rely upon their own ingenuity for keeping in liquid condition. Short-time commercial loans are the device by which such a bank may maintain itself in liquid condition. *But it is apparent that no bank can make its loans mature fast enough to meet any unexpected or unplanned demand on its funds by depositors or noteholders.* No bank will find that loans will mature to meet demands if the demand is *unexpected,* for the very simple reason that *loans were planned to mature otherwise,* or, as expected.

THE ESSENCE OF THE "SHIFTABILITY" THEORY

In fact, it should be apparent to all that modern banking is founded upon another notion, namely, that no well managed bank is expected to rely upon its own strength and ingenuity to meet *unexpected* demands on its funds. A bank in difficulty must shift earning assets to other banks for more liquid funds. This is the essence of the "shift-Federal Reserve System is that no well managed bank will be left to itself in a crisis. This is tacit admission that the older or orthodox theory of banking is not a workable one. The orthodox theory does not work when put to the test. And whene there is no crisis or test, it matters not whether the orthodox theory works.

In the crisis of 1920-21, the national banks were put to the test. It may be well to examine the facts and see whether or not loans did liquidate to meet the demands on bank funds; what means banks used to keep in safe liquid condition. In this exposition the writer will draw heavily on certain chapters written for another purpose.*

One should note first the period of crisis from its inception in May, 1920, until November of 1920, during which period deposits were contracted. In this period correspondent banks continued to call their funds from New York, as they

*In "The Uses of Bank Funds" (University of Chicago Press, 1925) the writer has discussed in detail the "shiftability" theory.

had been doing since the Federal Reserve Board began in November, 1919, to urge an increase in discount rates. Correspondent state banks took out of New York national banks during this period $96,000,000, and made similar demands on other financial centers. Net demand deposits of New York national banks decreased $121,000,000, and time deposits decreased $11,000,000 in this period. This was a substantial demand, amounting to $132,000,000, coming largely from correspondents which were calling on their balances.

But loans and rediscounts did not decline in this period. Net loans did decline $35,000,000 but rediscounts increased $122,000,000, so that the total of loans and rediscounts increased $87,000,000 at a time when deposits were drawn on to the amount of $132,000,000. Evidently loans of New York national banks were not liquidating to meet the demands of correspondents and other depositors.

HOW NEW YORK BANKS KEPT LIQUID

How did these banks of New York keep in liquid condition, if loans were not liquidated as, according to the orthodox theory, they should have been? Rediscounts were increased by $122,000,000, or $87,000,000 more than net loans decreased. Government securities were liquidated to the amount of $79,000,000, which is more than twice the decrease in net loans. These banks called on their correspondents slightly, and paid out some cash. Evidently it was the Federal Reserve Banks, the stock exchanges, and the general reliance upon other institutions that kept the banks of New York in liquid condition, rather than the liquidation of loans at maturty.

And, taking the country banks of the South, one notes a similar situation. Net demand deposits of these banks declined $88,000,000 in this period, and total deposits declined $68,000,000. Loans and rediscounts, on the other hand, increased $43,000,000. There was a decrease of about $14,000,000 in loans, but rediscounts were expanded sufficiently to result in a great increase in the total, as just indicated. It will thus be seen that loans in the country banks of the South did not liquidate so as to meet the current demands on these banks.

If one takes all national banks, as a group, it is seen that loans and rediscounts were expanded $265,000,000 in this period of crisis, while at the same time total deposits declined $171,000,000. The national banks as a whole thus showed inability to liquidate loans in quantities sufficient to meet demands on deposits.

Some Factors Affecting the Reserve Position of National Banks, May 4, 1920, to November 15, 1920.
(Millions of dollars)

	Factors tending to increase cash			Factors tending to decrease cash		
	New York City	South	Middle West	New York City	South	Middle West
Loans	35.5	13.5	...	....	...	15.3
Rediscounts*	121.8†	56.5†	24.6†	121.8‡	56.5‡	24.6‡
Bills payable	....	27.0	8.3	42.8	...	...
Due from banks	4.1	27.4	10.2	....	...	...
Government securities	79.3	14.9	9.6	....	...	...
Other securities	....	...	...	1.4	14.6	11.2
Cash	2.8	...	...	....	1.9	1.8
Total	243.5	139.3	52.7	166.0	73.0	52.9
Balance	77.5*	66.3*	...	....	...	.2

*Increase in rediscounts tended to increase cash, but the prior making of loans which were then rediscounted tended to decrease cash or reserve position by an equal amount.
†Increase in rediscounts.
‡Presumably loans were expanded equal in amount to increase in rediscounts.

BANK CONDITIONS VARY GEOGRAPHICALLY

The real point to this discussion lies in the differences between banks in the various cities and regions, as well as in the divergence of banking practice from banking theory. While in New York and the South and other cities and regions, loans and rediscounts did not liquidate to meet demands on deposits, in most of the reserve cities loans did liquidate sufficiently, and more than enough, to meet the needs of depositors. Not all regions and cities were alike in the ability to liquidate loans to meet the demands of the depositors. Some regions remained strong, and were thus able to assist other regions and cities. But the national banks as a group, could not depend on liquidation of loans to meet the needs of depositors.

What means did the banks in New York, the South, and Middle West find that they could depend on to keep in solvent, liquid condition? The following table covering these three regions gives the answer to the inquiry:

It is apparent from this table that in all three regions expansion of rediscounts was greater than liquidation of loans. In the South four means of increasing cash were more important than loan liquidation; namely rediscounting, borrowing, liquidating Government securities, and calling in deposits with correspondents. In the Middle West loans were expanded, while the same devices were used as in the South to increase cash.

It is apparent that the banks of these three regions depended on the reserve banks, on the stock exchanges (for liquidation of Government securities), and upon other banks (from which they borrowed), to keep in liquid condition. In other words, *in a period of crisis, banks shift their safe earning assets to other institutions or investors in exchange for more liquid assets.* In such a period banks can and do continue to carry their customers, and are enabled to do this because they have other funds at their command. These funds may be obtained from reserve banks, from other banks, or through the stock exchanges.

After the crisis of 1920 had passed, banks then did begin to liquidate loans. As the general price level declined, less funds were needed (even for an equal quantity of goods), and loans declined rapidly. There was then a less serious problem of liquidation, for the spirit of expansion had been replaced by deflation, and commitments were planned accordingly.

LIQUIDITY THEORY NOT FOLLOWED IN PRACTICE

When one examines the accounts of banks one notes that banks do not restrict their earning assets and activities to short-time commercial loans. On June 30, 1925, national banks held bonds equal in amount to more than twice the capital and surplus of these banks, or 23.3 per cent. of their total assets. These bonds were greater in amount than the savings deposits, and were equal to 45 per cent. of loans and rediscounts. Even stock of other corporations held by national banks in "other reserve cities" exceeded their holdings of stock in the Federal Reserve Banks by 61 per cent. and in New York by 72 per cent. It is evident that national banks not only place all of the funds provided by their stockholders in securities; they place also quite a large part of the depositors' funds in securities.

There has been an increasing tendency in recent years for national banks to invest their funds in bonds. This is a perfectly natural development, for business firms have come to borrow money by issuing bonds where formerly they borrowed on short-time loans. Municipalities, states and public utility companies have come to issue securities in large amounts, and banks have come to hold large amounts of these. From their inception national banks and the Bank of England have held securities.

LONG-TIME LOANS NOT NECESSARILY DANGEROUS

Banks have come also to place a large part of their funds in security loans.

If one adds the security loans to the investments in securities it is noted that a very large part of the earning funds are placed in other than short-time commercial loans. Is this a dangerous practice?

Probably a comparison of losses charged off on securities and on loans, from 1918 to 1925, will help in determining the answer. On an average, the percentage of losses charged off by national banks on securities in this period, 1918-1925, was .89 per cent., and on loans was .67 per cent. But in 1922 and 1923 the percentage of losses charged off on loans was twice that on securities. In 1920 and 1921, on the other hand the percentage of losses charged off on securities was four times that on loans. There seems to be a greater hazard in securities, and a greater cyclical fluctuation in losses on securities than on loans, but the difference is not great. As a matter of fact bankers can shift securities about and secure funds as needed. And banks found in the crisis of 1920 that stock exchange loans could be depended on even more than commercial loans to liquidate at maturity or as called. The general tendency, and the practices of banks, seem to indicate that banks have come to be very different institutions from what they were when theories of banking were first evolved and stated.

An examination of recent bank failures throws further light upon the soundness of modern banking practices. It might have seemed that most bank failures would occur among the banks that put the largest proportion of funds into bonds, etc. Such was not the case. The following facts and conclusions appear, from a study of bank failures. (1) There is a very great cyclical trend in bank failures. When net earnings of banks are low, failures are numerous, and when net earnings are high, failures are low. (2) Banks which failed were small in size and young in experience. Practically all failing banks had a capital of not over $100,000. (3) Banks failed almost exclusively in those regions, where during the World War and following, banks were organized in greater number than the number needed, as measured by the proportion already existing in the various regions. (4) Failures occurred largely in the West and Pacific regions, where the banks follow a policy, in contrast to the East, of paying large dividends, and were more reluctant to establish a surplus.

The evidence seems to be overwhelming, that the unorthodox methods of banking have been a negligible factor in the recent bank failures. The reasons seem to be related to the factors stated above.

BANKS SHOULD BUY ONLY SOUND PAPER

No criticism of the orthodox theory, nor any exposition of the "shiftability" theory, should omit to point out that banks must deal only in sound paper, whether short-time or long-time. Such paper is tested by margins of safety, margins of equity, general managerial ability, etc. But being tested in this way, the soundness of paper fluctuates with the changes in earnings, equities of the owners, and personnel of management. As is well known, net earnings and margins of equity are largely beyond the control of those who administer businesses. Earnings and margins of ownership or net worth are greatly affected temporarily by unforeseen circumstances. No matter how scientifically a business may be run, contingencies arise which prevent the carrying out of operations just as planned.

For example, when the crisis came in 1920, few, indeed, foresaw all the dire consequences. Probably few saw that the prices of farm products would fall out of proportion to the average of all commodities, thus resulting in a severer depression in agriculture than in most lines of business. Unforeseen things, such as changes in relative prices and values, arise to make safe paper relatively and temporarily unsafe. What should be the policy of a bank toward such paper?

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CAPITALISM OR WHAT?

By Hartley Withers

CAPITALISM, as the writer understands the matter, is the system under which each man can choose what work he will try to do and what employer he will try to serve; if he does not like his job or his employer, he can leave it or him and try to get another. He cannot earn unless he can do work that somebody wants to buy, and so he competes with all other workers in producing goods or services that others want and will pay for. His reward depends on the success with which he can satisfy the wants of others. Whatever money he earns in return for his labor he can spend as he chooses on the purchase of goods and services for his own use or for that of his dependents, or he can invest it in opening up a business or industry on his own account, or in shares and debts of public companies, and debts of governments or public bodies. These securities will pay him a rate of profit or interest if the companies or debtors prosper and are solvent. Whatever money he earns by labor or by investment he can, after paying such taxes on it as the state may demand, hand on to any heirs whom he may name.

Hartley Withers
British economist and financial writer.

Such is the description given in the writer's book on "The Case of Capitalism" of the system under which civilized nations are at present economically organized and the writer thinks it fills in the chief features of the picture.

Its essential point is freedom—freedom, subject to the will of the community, as expressed by its purchases of goods and services. Given well distributed purchasing power, the capitalistic system is thus the most democratic basis of production and exchange that can be devised; and the present tendency to mass production compels wide distribution of purchasing power, because mass consumption is its necessary consequence.

Subject to this democratic will of the consumers we are all free, under capitalism, to do what work we choose, if the product will find a buyer, and to make what use we please of our earnings, thus adding our voice to the mighty chorus that decides what goods and services are acclaimed as desirable.

With our surplus earnings we are free, by the process of investment, to supply funds to any enterprise or any public body that needs them for development, or for public purposes, expecting to receive interest or dividends, subject again to the will of the community as expressed by consumers or taxpayers.

CAPITALISM PUTS MORAL RESPONSIBILITY ON INDIVIDUAL

In working, in spending, in investing and finally in leaving to the heirs whom he may appoint the wealth, big or little, that he has made or inherited, each man chooses for himself, and takes upon himself all the risks that his choice involves. If he makes things that consumers do not want, he will not earn; if he invests imprudently he will lose his savings. With freedom goes, as always, responsibility; and without responsibility there can be no development of character or initiative, no moral discipline. Perhaps the strongest of all arguments for capitalism is this moral advantage of the responsibility that it throws upon every individual.

It is admitted, at once, that the freedom of choice which capitalism confers on the individual has had and still has results which are sometimes deplorable and occasionally disgusting. Human nature being what it is, the democratic voice of a mass of of uneducated consumers calls for the production—the writer speaks, of course, of what he sees in England—of much that is ugly, vulgar and base. But even in the course of a lifetime it has been possible to see some improvement in this respect, and wider education and culture seem to be the only remedies that can be relied on to carry this improvement forward. It is better that the individual should make mistakes and be free than that he should have his choice dictated by a committee of experts in culture.

Dictation, however, by some such committee is the only alternative that has been suggested, or can be imagined, to the freedom of choice which is the outstanding feature of capitalism. Under state socialism, which implies the ownership by the government of all the means of production, distribution and exchange, the government would evidently tell us what to make and would distribute the product, telling us what to eat and drink, what we should wear, where we should live, and what amusements and pleasures we should enjoy. We should be under a tyranny of officials, tempered by the wisdom of a popularly elected body; and in electing its representatives the popular will, at least on this side of the world, makes even worse mistakes than in choosing articles of consumption. All the freedoms and responsibilties that the individual now enjoys would be gone; we should be standardized and regulated, and turned out on a pattern, like so many pairs of army boots.

SOCIALISTIC PROGRAM LATELY REVISED

State socialism, however, is now a much less fashionable ideal than it was. The experiences of the war have taught the British socialists that the state can be a much more unpleasant employer than the worst kind of capitalist boss. And socialistic aspirations have lately turned into a different direction. Incidentally it may be observed that a system of economic life, the advocates of which find it necessary to revise their program on a matter of the highest importance, before it has even been tried on its full scale in practice, does not promise very well as a working scheme for supplying the needs of humanity. Nothing shows more clearly how blind a gamble the socialists are asking us to undertake than the complete revision of their program that has taken place in the last few years.

Under the new dispensation—"guild socialism" or one of its many variations —the means of production would be owned by the state, but the state would have nothing to do with the management of industry, which would be conducted by those who work in it, electing their own officers. Whether such a system would be conducive to industrial efficiency may well be doubted; but there is little need to discuss the question because the scheme is, on other grounds, obviously quite unworkable. With each industry working at its own pleasure and producing goods such as it considers desirable for the public and in such quantities as it thinks fit, nothing but economic chaos would be possible. This chaos would almost certainly be only increased by the number of parliaments and committees which the guild socialists propose to set up. There would be a parliament of the guilds—the guilds being the nice new medieval term for the unions in which all the workers and officials of each industry would be, whether they liked it or not, included—and this guild congress would be expected to settle any differences that might arise between any two or more guilds. As to what would happen if this body failed to settle the difference (if for example the guild of machine makers insisted that they knew better than the guild of farmers what sort of plow would work most efficiently) is left to the imagination of the idealists who see economic salvation in this form of socialism. There would also according to some schemes—but the variations of the system are infinite—be another parliament representing the whole community as consumers, and yet another supreme body representing both the guilds and the community.

There is no need to lay stress on the infinite possibilities of disagreement and friction, and consequently of inefficient production, which are at once evident if one tries to imagine such an economic constitution at work; and even if the completest harmony prevailed, it would be extremely difficult to settle questions such as price, or the relation in which one commodity would be exchanged for another or the allocation of the work of those guilds which supply buildings and machinery among those which need them.

THE AVERAGE MAN UNDER GUILD SOCIALISM

As to the general consumer, that is to say every man in his capacity as a human being with cravings for food and comfort, he would evidently have to take what he got and be thankful that it was no worse; for under such a system the guilds would inevitably be all-powerful and would, if they pleased, snap their fingers at the authority of any congress or parliament which attempted to tell them what sort of work to do and what sort of article to produce. The advocates of the system urge that the guild workers would be so uplifted by the mere fact that they were working not for the profit of a capitalist, but for themselves and for the community, that harmonious and efficient work would be produced in a sweetly ideal atmosphere. It might possibly be so, but the assumption of this magical change of heart is a big risk to take, when the material comfort and even the existence of the community is at stake; and the elaborate system of safeguards suggested shows that a good deal of doubt is felt on this point by the enthusiasts who have devised this proposal for "reforming" society.

As to syndicalism, the extremist idea, of which guild socialism is a comparatively conservative modification, nobody has attempted to explain how it ever could possibly work. Under it, the workers would seize the instruments of production, work them (if they could under their own guidance) and dispose of the product as they pleased. The state would be reduced to impotence and there would, apparently, be no coordinating authority of any kind.

CHANCE OF PRODUCTIVE EFFICIENCY REMOTE

Such are the alternatives that have been suggested and put forward as improvements on capitalism. The only one of them that is within a mile of being a practicable scheme is state socialism, which might possibly be adopted by a community sufficiently servile to submit to the tyranny of bureaucratic control. But, as has been shown, state socialism is already discredited in the eyes of a great number of socialists, warned by their experience of government control, during and after the war. Even under it the chance of productive efficiency is extremely remote; under guild socialism it is so remote that advocates of the

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BUSINESS BUILDING ADVERTISING STRESSED AT FINANCIAL ADVERTISERS' MEETING

By B. C. Clarke

BUSINESS building advertising—specific in its terms and definite in its object—that pulls the money out of the bureau drawers and the family sock and puts it into the channels of trade and business, was urged upon the banking interests of the United States as a central theme in advertising during the coming year, in the convention of the Financial Advertisers' Association, held in Philadelphia on June 23 in conjunction with the annual convention of the Associated Advertising Clubs of the World.

Trust companies in particular are developing this kind of advertising, it was indicated, and commercial banks are taking more and more to it. Banks everywhere were urged to lay down the yardstick of apparent results in advertising in the rule that it must produce profitable business in dollars and cents before it is approved as efficient and effective.

The thought was emphasized that effective advertising must be continuous and that continuous advertising is cumulative in its effect.

T. H. Sewell, of the Ohio Savings Bank and Trust Company, at Toledo, gave stress to this thought in urging banks to engage more actively in advertising their communities. He said that as communities prosper and grow, so do banks prosper and grow, and that the interests of one are intimately bound up in the interests of the other, with the contribution by one a contribution to the wellbeing and growth of both.

"What business, what industry, what institution of any nature plays a more vital part in the drama of life and the activities of the community, than the bank?" he questioned. "Whether it is a village, a town or a city, the bank is so closely woven into its civic and domestic life that its influence, good or bad, must pulsate throughout the community, and be felt more or less by every one of its inhabitants.

"Banks should advertise their communities, and in specific terms. A continuous campaign of healthy encouragement of the community will prove to be a breeder of good will when your bank message is hitched to your community message."

VALUE OF DEFINITE OBJECTIVES

O. Howard Wolfe, cashier of the Philadelphia-Girard National Bank, in Philadelphia, placed stress upon specific terms and definite objectives in bank advertising.

"There is an unfortunate prevalence of bank advertising which merely advertises 'service' in a vague, indefinite way without being specific as to the kind of service referred to," he declared. "This type of advertising is as common as the old 'tombstone' style of twenty years ago.

"The kind of advertising results I have in mind is that which is cumulative in its effect. One of these effects is the beneficent influence of advertising upon the quality of service which your bank has to render.

"Some months ago we used an advertisement in our bank that said, in effect, that 'Advertised service is dependable service. Statements made in bank advertisements should be as accurate as the figures of its statement of condition.'

"Each of you know that every well

managed institution prides itself in having among its assets many items that are worth more than the figure at which they are carried on its books, and published in its advertisements. It should be the same with service. Not only should it be at least as good as advertised, but it ought to be a little bit better.

"I know from personal experience that after a particular advantage or feature of service that a bank has to offer has been advertised, almost subconsciously there is an effort on the part of the bank's personnel to see that the service fully meets the claims that are publicly made, and if possible, improved upon. It should be the duty of some one in every bank to see to it that advertised service is dependable service."

Mr. Wolfe said that it is essential that some one in a bank, preferably an officer, trains himself to know what and how to advertise. The basic principles of sound and effective advertising, he continued, can be learned by the average banker, just as are the rudiments of commercial law, and applied with skill and telling effect.

"There is another advantage in having an officer of the bank understand and supervise its advertising campaigns," he said. "Such an officer is in a position to check the results of advertising more intelligently than the salesman type of advertiser.

"I confess I have little interest in reports we sometimes read of the results of bank advertising campaigns as indicated in the number of new accounts obtained, or the total increase in deposits. Do you realize that more than 50 per cent., numerically speaking, of all active depositors in the United States carry checking accounts that are a distinct loss to their institutions?

"You do know that there are many schemes being sold to unthinking bankers through which hundreds of new depositors are secured carrying balances as low as $5, and that these methods are paid for on the basis of numbers only.

"You can see, therefore, the necessity for a co-ordination between advertising and analysis of the kind of business which advertising produces, before one is able to place a proper valuation upon any particular scheme or method of advertising.

"The most important thought, I think, is the development of business building advertising. I see no particular advantage to the banking profession in advertising which merely pulls accounts from one good bank and puts them in another. Emphasis should be put upon the kind of advertising that pulls money out of hiding places, and makes it active instead of inactive. Advertising to be effective and efficient must produce profitable business."

SELLING TRUST SERVICE

Francis H. Sisson, of the Guaranty Trust Company, of New York, gave stress to the central thought in the assertion that success in the sale of trust service is not in speed, but in steadiness. He explained that this follows logically from the fact that trust service is always of a confidential nature.

An analysis of banking advertising need not be upon the same plane or so extensive, he continued, as the scales for nationally distributed products. He urged that in every instance of trust service advertising, consideration be given to the question of whether the smallest estates, as well as the largest should be sought, and the relation which this decision has upon the style of advertising copy, and the nature of the selling effort.

"Selling personal trust service is entirely different from selling commercial bank accounts, and the two must be handled by men of very different training if the best and most effective results are to be had," he continued. "No longer is there any real question as to the ethics, the legality, or the dignity of selling trust service. The only vital questions that confront us are those of method and opportunity. There is also an obligation, perhaps, as to how and where best to put our message across. To that problem the best brains in the advertising and selling field may well be attracted."

Turning to the subject of newspaper advertising, he described the daily publications as powerful mediums for trust advertising when used for purposes to which they are best adapted. Other publications, such as trade journals and financial periodicals, offer a splendid field for the cultivation of this character of business.

"Newspaper advertising may be used to develop leads, to originate business and to do the broad job of education," he said. "But whether a given advertisement should be made to do all of these things at the same time is a problem with which you are probably familiar, and doubtless always facing.

GREAT BRITAIN AS A MARKET FOR AMERICAN PRODUCTS

Increasing importance of Great Britain as a lucrative market, and the buying tendencies of the English people, were dwelt upon by James Howard Perkins, advertising manager of Goodall, Blackhouse and Company, of Leeds, England.

"We have been a sorely tried people," he said, "but the clouds are clearing and American business will find our markets easier than at any time since the war."

American business interests are safe in planning selling campaigns in England, he continued, and the economic barometer is improving. He said that many workers have retained the pre-war scale of wages, and these men in the "sheltered trades" have a good buying power and a stabilizing influence upon business. He asserted that soon the basis of consuming power will be widened.

"In dealing with our markets, do not hesitate to make a more 'high-brow' appeal," he continued. "Higher education is becoming more general throughout the land, and there is a greater percentage of women with money to spend for luxuries.

"The woman market in England is excellent! The woman is the true basis of the English market. We have a rich upper class, a large class of the retired, and a large—and overpaid—official class. The women of all of these classes are good buyers. Moreover, there are great numbers of women factory workers who have more money to spend than ever before.

"Aids to beauty—there's a great field. The English woman will spend her last penny on aids to beauty—and pleasure."

Life insurance trusts were discussed by Clinton F. Berry, of the Union Trust Company, of Detroit, and second vice-president of the Financial Advertisers Association.

Delegates and visitors to the convention were welcomed by Edward T. Stotesbury, of Drexel and Co., at Philadelphia, and who next October will celebrate the sixtieth anniversary of his entry into the banking activities of the nation.

Reviewing the American banking system since its start in Philadelphia during the days of the Revolution, Mr. Stotesbury pointed out that its expansion and growth has been chiefly due to an increasingly intelligent and scientific use of credit and credit resources.

Mr. Stotesbury paid a tribute to Robert Morris, one of the financiers of the American Revolution, and in whose honor a bronze statue was unveiled on the steps of the Philadelphia custom house a few days before.

Carroll Ragan, of the United States Mortgage and Trust Company at New York, and president of the Association, in responding to Mr. Stotesbury's welcome, reviewed the remarkable change that has taken place in financial advertising in the last decade, and contributive to closer relations between banking institutions and the communities and interests which they serve.

"To judge from the admirably developed policies and advertising campaigns of many financial institutions," he said, "their slogan might well be: 'The public cannot ask, nor can we give too much.' "

THE FUTURE OF THE GAS INDUSTRY

By George B. Cortelyou

ONLY a few years ago there were those who asserted in all seriousness that the gas industry had no future. They said all it had was a past; that it was a dying business, doomed to extinction because the demand for gas was growing less and less each year. And they warned investors away from the securities of gas companies.

Well, of course, it is something to have a past; and all gas men are proud of the past of their industry with its record of public service reaching back more than a century. But it has more than a past. It has a present and, as the title of this article indicates, it also has a future. Its more recent achievements have been such that even the outspoken skeptics of a few years back have since admitted their error and have brought forth "works meet for repentance" by proclaiming their faith in the soundness and stability of the industry and recommending its securities to investors.

CHANGE IN CHARACTER OF USE

What led certain superficial observers into thinking that gas was on the wane was the change in the character of its use. They saw it decline in importance as an illuminant, which formerly was its principal use, and concluded that this heralded a permanent downward trend. What they apparently did not realize was that this loss was more than made up by gains in other directions, which put the industry on a more solid and prosperous footing than ever before. For industries, as for individuals, life is a continual series of adjustments to changing conditions, and success depends upon the ability to make these adjustments with a minimum of delay and loss. The gas industry has not only adapted itself to the rapidly changing conditions of the past decade but has gathered strength in the process and at the present time is facing opportunities for growth and expansion unequalled in all its long history.

STABILITY OF THE INDUSTRY

If the dominating characteristic of the gas industry could be expressed in one word, that word would be "stability."

George B. Cortelyou
President Consolidated Gas Company of New York and former Secretary of the Treasury.

The oldest of our utilities, it has gone ahead quietly and steadily year after year, extending its facilities, adding to its resources, establishing a record of consistent and orderly progress. There have been no pyrotechnics, no violent fluctuations, no alternating seasons of feast and famine, such as have marked the course of many other industries and which have been given widespread publicity. It is this quality of inherent stability and the absence of headline news features that for a long time led the investing public to overlook the merits of gas company securities; and yet, logically enough, it is this very quality which, once recognized —as it has of late come to be—constitutes their chief attraction for the conservative investor.

The days of comparative isolation for the industry are over. It has stepped forth to take the place that rightfully belongs to it by virtue of its importance as a great agency of public service, supplying a commodity that is essential to the health, comfort and well-being of millions of our people. If it ever did hide its light under a bushel, that is no longer true. Today it is telling its story to the public and the public is responding with many evidences of interest and approval. Few industries have such a wealth of material to draw upon and few can match it in the element of human appeal, for it is based upon service to that most vital and cherished institution—the home.

It should be understood that this article refers to manufactured or artificial gas.

INCREASED INDUSTRIAL CONSUMPTION OF GAS

Sales have more than doubled in the past eleven years, reaching a total in 1925 of over 421,000,000,000 cubic feet for the country at large, as compared with 204,000,000,000 cubic feet in 1915. It is of more than passing interest to note that approximately 15 per cent. of the total output is produced and consumed within the corporate limits of Greater New York, showing that this territory is one of the bulwarks of the gas industry of the United States. If the entire metropolitan area were included the percentage would be much greater.

Viewed in bulk, there is nothing about these figures that arrests the attention. True, they reflect a healthy growth, averaging about 10 per cent. a year, and are a striking example of the stability referred to, all of which is gratifying but not remarkable. It is only when one examines their component parts that one uncovers some really interesting and significant facts.

Gas consumption is generally classified as domestic, industrial and commercial, the last two being frequently grouped together. At the beginning of the eleven-year period referred to, that is, in 1915, the amount of gas used as a fuel in the industries was but a small percentage of the total output, while in 1925 it is estimated that more than one-quarter of the total went to supply the industrial and commercial demand, which in the eleven years increased over 1000 per cent. In other words, of the 421,000,000,000 cubic feet of manufactured gas sold in 1925, 113,000,000,000 cubic feet were used for industrial and commercial purposes. This was for the industry as a whole. For certain companies located in manufacturing centers the percentage of industrial load was of course much greater. This is an all-the-year business which makes it very desirable for the gas company. The domestic load, which is still the backbone of the industry, continues to show a steady increase from year to year.

This remarkable evidence of the adaptability of gas to the uses of industry gives an idea of the present trend of development and indicates one of the directions in which great future expansion may be expected; for, notwithstanding the large gains already recorded, it is probable that as yet gas is carrying less than 10 per cent. of the total industrial load available. The application of gas to the innumerable processes of industry opens up a field of practically unlimited dimensions and ushers in a new era in the history of gas utilization. It will be an era of huge installations and of production on a scale hitherto unknown. Given

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INSTALMENT FACTS REFUTE INSTALMENT FANCIES

BY H. BERTRAM LEWIS

A NUMBER of articles have been recently published in THE BANKERS MAGAZINE both pointing out the advantages and disadvantages of instalment selling. In this article H. Bertram Lewis, vice-president of Hare & Chase, Inc., describes eight contributions which he believes that the instalment selling plan has contributed to society. Mr. Lewis is not unmindful of the fact that the system is subject to abuses but conservatively operated he believes it essential to our national prosperity.—THE EDITOR.

INSTALMENT selling is not a subject for frivolous discussion. Too much is at stake. Far safer to let it alone if we cannot be correct in our statements, sound in our analysis and fair in our deductions. For, like it or not, nothing is more easily discerned than the disaster that would overtake American industry if its sustaining power were suddenly withdrawn.

Its harshest critics fix the annual total of instalment sales at some eight billion dollars. In all probability this is nearly double the true figure, but let us accept it momentarily. A cut of eight billion in our annual volume of retail business (estimated at thirty-seven billion) would mean a deduction of nearly 22 per cent. And if these same critics are correct in their evident assumption that if instalment sales were taboo, little or none of this instalment-bought merchandise could be sold until the cash price had been saved, it is easy to picture the crash to our prosperity that awaits any sudden curtailment of instalment facilities.

As matters actually stand today the burden of proof is distinctly on the critics—and glittering generalities will not sustain it.

The country is prosperous beyond all precedent. Every form of saving is on the increase—in toto and per capita. Private investors are buying securities of every sort at an unheard of rate. Home building is making new records. And all classes are living in greater comfort and contentment than the corresponding classes of any race or nation since history began. Surely, on the face of things, instalment selling is not heading us toward precipitate ruin. That it might, if carried to unwise extremes, is too obvious for argument, but he who would prove that it has will have a sorry time pointing out the symptoms.

In the view of men who see the instalment business from within, recognize its sound limits as clearly as any banker or publicist, and labor intelligently and conscientiously to keep it stable, instalment selling up to this stage in its evolution may be credited with these social and economic contributions:

(1) By teaching the buyer to budget his expenses for a purpose it has in many instances developed habits of thrift that have contributed directly to the recent disproportionate increases in savings of every kind.

(2) It has permitted the buyer of limited means to gratify his longing for pianos, motor cars, and other high priced family necessities and conveniences by payment from income instead of from capital. The urge for possession of motor cars in particular is, humanly speaking, so irresistible that many a family which buys its cars today without disturbing its nest egg would buy from its reserves and take a chance on replenishing them rather than do without. Of course no such output of motor cars as those of recent years would be possible on a cash basis, but if all that

could be sold for cash had been sold for cash more people would have been impoverished in the process than under the time payment plans that have prevailed. Such at least is the conviction of those who are closest to the picture and much evidence in support of their opinion is found in the credit statistics of the industry, mentioned below.

(3) It is by no means certain that instalment selling has, up to this time, injured any class of business. One hears of complaints by small merchants that their sales are adversely affected. Likewise by clothing manufacturers and other producers in lines that do not properly lend themselves to time payment methods. It is also stated that credit conditions in such other lines have been impaired because of the precedence given by the buyer to his instalment obligations. But the volume of instalment-sold production has stabilized employment conditions, and been a primary influence in holding wages to their present high levels—factors which make for the prosperity of all merchants and for sounder credit conditions in all lines. Merchants and manufacturers in the non-instalment field may consider their volume disproportionately small when compared with those of instalment competitors for the consumer's dollar, but it will take a world of proving to show that they are not better off in all respects—credit conditions included—than if the instalment sales stimulus were wholly withdrawn from trade. And hundreds of thousands of them annually avail themselves most cheerfully of its conveniences.

INSTALMENT SELLING IN THE AUTOMOTIVE FIELD

(4) In the automotive field—most often the target of the instalment critics—employment and wages have kept at a peak on a steadily declining price basis, made possible by the economies of mass production which has been developed on its present scale largely through the influence of time sales. A condition which increases the buying power of the general public along with that of the wage earner. For obviously one who pays $800 for a car that would cost from $1000 to $1200 under lighter productive conditions has from $200 to $400 more available for clothes and general merchandise.

(5) Instalment selling has made a great contribution to the contentment of farmers and industrial workers by enabling them to enjoy the use of conveniences and utilities which their income justifies but which on a cash basis they would perhaps never acquire for want of any definite saving plan such as the instalment system provides. Certainly the thriftless among them can be led into onerous debt by this sort of enticement, but society seems to divide itself inevitably into two economic classes—that which looks before it leaps and that which leaps in the dark. The former will always buy with forethought and will protect its credit whatever the plan. The latter will always go it blindly and over-buy on any terms. But experience with instalment collections seems to prove conclusively that the buyer of the second class is a far safer risk when title to his purchase is vested in the seller until paid for in full than when he buys on open account with no repossession penalty to keep him in line.

(6) Foreign students of our industrial system have pronounced the almost universal use of the motor car in this country as perhaps our greatest safeguard against Bolshevism, and no observer who has seen the vehicular exodus from any American workshop when the closing whistle blows will hastily dispute this point of view. And without time payments such national motorization would have been impossible. Through pride of possession the owner of a motor car is only a shade less conservatized than the owner of a home. Social revolution makes but a feeble appeal to the man at the wheel of his own hard earned sedan, with all the byways of the world

at the option of varying periods of pressure on the accelerator pedal.

AN INCENTIVE TO PRODUCTIVITY

(7) The longing to own such highly desirable property as instalment sales have placed within the laborer's reach is an incentive to productivity that cannot be ignored. Many a rolling stone who finds it irksome to work for a mere living discovers a new zest in work that leads to experiences beyond the humdrum. The American workman has more good things to earn by his labor than any other producer in the world—and his output is the greatest in the world. Whether or not these circumstances have actually the relation of cause and effect there is a sound psychological tie-up between them and it would seem to be the dissenter's place to prove its irrelevance.

(8) Following the thought expressed by President Coolidge, instalment selling appears to one who sees it from within as far safer than the old practice of "running up a bill at a store."

There is a definiteness and finality about an instalment obligation that makes for a much more immediate sense of responsibility than that which applies to an open account, and its mandatory character tends to emphasize the urgency of obligations in general and to impress the buyer with the value of his credit. It introduces him, often for the first time, to economic considerations that would otherwise escape his consciousness entirely, and if he is at all capable of education along these lines, should make him in all respects a more substantial economic unit and a more responsible citizen.

The writer has credited instalment sales with these outstanding benefits to society because the conditions listed as effects are obvious to all observers—written right into the records of the times—and because instalment selling must either work to these ends or to diametrically different ends. It must, by its very nature, induce either increased production, a greater spread of wealth and comfort, and a responsible class of credit buyers, or thriftlessness and demoralization—and nothing is more out of line with contemporary facts than a general state of thriftlessness and demoralization. Its possible good effects are in evidence. Its possible bad effects are not. Therefore the case of its critics is built around theorizing as to what may happen rather than upon the facts which indicate what has happened to date. And it is with a certain irresponsibility in the language of some of its critics that its protagonists take particular issue at a time when sane and balanced judgment is essential if blind reformatory zeal is not to influence public thinking along highly dangerous lines.

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H. BERTRAM LEWIS

Vice-president Hare and Chase, Inc.

O. H. Cheney, in a widely published address before the Chamber of Commerce of the United States, has held up automobile financing as more or less of a horrible example to industries that are wavering on the brink of instalment ventures of their own. He refers to the status in this field as one of chaos and speaks as if wildcat practices were not only general therein but gaining ground, whereas the precise opposite is the case.

STABILIZING AUTOMOBILE FINANCING

At the first outbreak of low rate-long term propositions the wiser heads in the industry (among the finance companies no less than among factories and dealers) took alarm, and their fight to hold the lines for stability has been so successfully waged that today all terms involving down payments of less than a third and notes in excess of twelve months are in general disfavor and their percentage of the industry's total financing — never preponderant — is growing less continually.

Much has been spoken and written on the subject within the industry and these self corrective utterances may have given Mr. Cheney the impression that things were going from bad to worse. In fact, however, this internal agitation was a symptom, not of disease, but of a healthy resistance to it.

It is also unfair of Mr. Cheney to name a 4½ per cent. loss ratio as if it were in any way an indication of the average automobile experience instead of a figure published by the National Association of Finance Companies to show the suicidal folly of wide open terms. No soundly managed automobile finance company has ever dreamed of offering the terms on which this ratio has been realized and the aggregate amount of such paper that has ever been negotiated by the industry would represent so small a fraction of its total financing that figures would hardly express it.

The only figures available that give a true picture of average credit experience in automobile financing are those of the no-recourse companies, who assume the full liability themselves instead of dividing it with the dealer. The statement of one representative company of that class, shows that out of notes amounting to $37,634,174 collected during the preceding eleven months the volume of paper over sixty days past due totalled $64,979, while equities in repossessed cars on hand were $253,959, or, in combination, a delinquent item of $318,938—less than 1 per cent. of its turnover. And since past averages show that the ultimate shrinkage in such assets is but fractional it is obvious that this company's credit experience indicates an exceptionally sound condition for any industry. The period covered by its report was that in which the drift toward unsound terms was stronger than any other on record before or since, and in which the temptation to overstep conservative lines was as compelling as it ever will be.

It is worth mention also that the business which yielded this experience included both the new car and used car offerings of dealers in every well established line and was obtained in some fifty or more different localities, so that the statement is as truly representative of average credit conditions as any set of figures could be.

THE QUESTION OF THE RATE WAR

As to the rate war which is also implied by Mr. Cheney—it is worth chronicling that the same company which furnished the credit illustration has raised its rate level appreciably within the last year and is now doing the largest volume of retail business in its history so that the rate factor would not seem to weigh so very heavily in the scheme of things. It is true that several factories, during the last twelve months, have offered to the public subsidized rates, i. e., finance charges of which the said factories defray a part themselves, and that, inasmuch as these do not reflect the true financing cost, but penalize the cash buyer to attract the time buyer, they could not be met by non-subsidized companies, and have provided a strong incentive for the weaker independent companies to open up on terms, as a counter attraction to the dealer. The subsidy, in fact, has been the one really unsettling factor in the entire situation,

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SOME THOUGHTS ON OLD COINS

By Theodore J. Venn

SURPRISE is frequently expressed that the United States, whose Federal coinage dates back only 132 years, should possess so many more of the great numismatic rarities than any of the European nations whose metallic moneys have been in existence for many centuries.

There are a number of reasons to account for this. In the first place, the systematic collecting of coins in this country is of rather recent origin when compared to the long numismatic record of Europe, consequently few of our earlier issues were preserved in choice condition. Another factor is that as soon as American collecting assumed any proportions coins of all the years of issue were sought, whereas in Europe it was the custom to confine numismatic endeavor to the various lines of kings without especial regard to dates. This explains why the coins struck in years of small issue and those whose survivorship was limited quickly jump into the higher premium divisions.

Then one must not lose sight of the many colonial issues which circulated here prior to the Revolutionary War, and the various state coins which were struck before the establishment of the Federal mint. All of these issues are much sought by advanced collectors and comparatively few are to be found in superior states of preservation. And last, but by no means least, there are the many historical reminders of our various gold fields—the privately struck coins of Georgia, North Carolina, California, Utah, Oregon and Colorado. Although these coins never received Governmental authorization, they circulated freely as money at a time when transportation was slow and cumbersome and there was urgent demand for a medium of exchange to conduct business in the various sections of the country where the private coinage was struck. The coinage of such private issues is now prohibited by Act of Congress. Many of the greatest rarities in the Americans are to be found in these early territorial gold issues.

Herewith is presented a short treatise on a number of United States coins, indicating the numismatic value of the scarce and rare issues in the various series which have not been covered in the writer's previous articles in The Bankers Magazine.

UNITED STATES HALF EAGLES ESPECIALLY FAVORED

United States half eagles are especially favored by advanced collectors, probably because there are so many great rarities in the series. The coins have been struck continuously from 1795 to the present time, with the exception of the years 1801, 1816, 1817, and since the suspension of gold coinage of this and the smaller denomination—the $2.50 series—owing to the late war.

Rarest of the $5 coins is the one bearing the 1822 date. No specimen of this coin has come upon the market for years and it would be mere guesswork to endeavor to place a numismatic value upon it at the present time. Coin dealers offer $1500 for it, but its value is much in excess of that figure. If one of these coins in choice condition were to find its way into a public auction it probably would break all records heretofore made by any coin. Next in rarity is the coin of 1798 with the small eagle on reverse. For this dealers offer up to $500, but one of these coins brought $5250 in the Ten Eyck sale. The coin of the same date with the large eagle is not so valuable, although a scarce coin, dealers' offers for this variety being about $15.

Third rarest in the series is the coin of 1815. The highest dealer's quotation on this is $1000, but the exemplar in the Ten Eyck sale went at $2200 under the hammer. In the same sale the 1819 with large date brought $900; the 1828, $680; 1797 with fifteen stars, $355; 1827, $365; 1832 with thirteen stars, $330; and the 1795 with sixteen stars about eagle's head, $272.50. All of the $5 gold pieces from 1795 to 1833 are rare and command good premiums, as does also that of 1834 with the motto "E Pluribus Unum" over eagle. The 1834 without the motto is quite a common coin.

Coming lower down the list, there are also fair sized premiums on the Philadelphia mint coins of 1875, 1876, 1877 and 1887, which bear no mint mark, and also on a number of the branch mint coinages from 1838 to 1861. These will be found principally in the Dahlonega and Charlotte issues, which are readily distinguished by the letters D and C. The San Francisco half eagle of 1854, which bears the letter S, also is a scarce coin, and so is the New Orleans piece of 1841. The latter can be readily recognized by the letter O.

THE RARE SILVER DOLLARS

Collectors of American coins always have exhibited a strong fancy for silver dollars, especially for the early issues. Silver dollars were first coined in 1794. There was a suspension of coinage of these pieces from 1805 to 1840, except that a few of the well known flying eagle dollars were struck in 1836, 1838 and 1839. These flying eagle dollars were practically pattern pieces, there having been no Congressional authorization for their coinage, but a small number of them found their way into circulation. General coinage of dollars was resumed in 1840, but again suspended from 1874 to 1877. From 1878 to 1904 the coinage again was continuous, but thenceforth there was again a discontinuation until 1921, when resumption took place in the striking of the so-called "Peace dollar," of which large numbers also were issued in the following year.

The first of the series, the 1794 dollar, is a very rare coin and usually brings from $85 to $125 at public sale for specimens ranging from good to fine condition. In such states of preservation dealers freely offer $50 each for them. An uncirculated exemplar of this date probably would bring $500 or more in an auction sale.

Most of the other dates of early issue from 1795 to 1803 inclusive range from scarce to rare and in good to very good condition generally bring from $4 to $7 each at public sale. In fine to uncirculated states of preservation they naturally command higher prices. Within recent years these early dollars have been showing quite a trend toward scarcity, especially the 1796, 1797 and 1801 dates.

The 1804 dollar ranks with the excessive rarities of the Americans. There probably are not above a half dozen of the first striking in existence. The specimen in the Manning sale, catalogued only as very good, brought $2500 at auction, while the coin has a record of $3500 in uncirculated condition. The exemplar offered in the Ten Eyck sale known as a restrike, went to the highest bidder at $840.

The flying eagle dollars of 1836, 1838 and 1839 are all rare coins and there are several varieties of each of the dates. In the Manning sale the dollar of 1836 with the name Gobrecht (the designer) on base sold for $26, while the variety with Gobrecht below base brought $155. In the same sale the dollar of 1838 secured a high bid of $250, while in the Ten Eyck sale the coin of this date went under the hammer at $235. The 1839 coin in Mr. Manning's collection brought $67.50. All of these pieces were in proof condition.

In the later division of silver dollars, the coins from 1840 down, the great rarities are the dates of 1851 and 1852, which in proof condition bring up to $100 each in public sales, and for which dealers offer from $30 to $40. Next in rarity is the 1858 dollar, which sells at $35 to $50 at auction. In this "Liberty seated" series of dollars the coins from 1852 to 1857 also command fair sized premiums, and there is a small one on all the coins struck between 1840 and 1873 provided they are in uncirculated or proof condition. There also is a small premium on the proof coin of 1895, while the Lafayette dollar of 1900 is now bringing around $3.50 in public sales.

THE OLD HALF CENT COINS

Being the coin of smallest denomination ever struck by the United States Government, the half cent always has appealed strongly to the American collector. These coins were first struck in 1793 and their issue was discontinued in 1857, but there were a number of years during this period in which coinage of the pieces was suspended.

There are many rarities in the half cent series, chief of which is the coin of 1796, which also is one of the most valuable of United States copper coins. Some years ago one of these coins, described as a proof in the sale catalogue, brought $400. Dealers offer $15 to $20 for any of the 1796 half cents which are in fair to good condition.

Next in rarity are the coins of 1831, 1836 and 1852, and the mintage from 1840 to 1848, also the pieces of 1849 bearing the small date. These coins bring all the way from $35 to $150 each, depending upon the dates and whether they are originals or restrikes. But few of any of these coins were struck and when offered are usually in proof or uncirculated condition. A number of counterfeits of all of these dates are in existence. They usually are copper films filled with lead, and some of them are very ingeniously put together. Upon close examination, however, these counterfeits are readily detected.

The coins of 1793, 1795, 1797, 1802 and 1811 also are rare and secure large premiums when in the higher states of preservation, and fair ones provided they classify even as good.

For all other dates of half cents dealers pay from 10 to 15 cents each if the coins are in very good or fine condition, but collectors naturally have to pay somewhat in excess of this to secure the coins.

CALIFORNIA $20 PRIVATE GOLD ISSUES

There are a number of privately struck $20 gold pieces which were issued during California's early mining days and which are now eagerly sought by advanced collectors.

Rarest of these are the 1851 issue of Baldwin & Co., for which $250 is offered by dealers, and the 1855 coin of Wass, Molitor & Co., which is sought by them at $90. The two Augustus Humbert pieces of 1852 are next in demand. The one bearing the inscription "884" is listed at $60, while the one inscribed "887" is catalogued at $40.

The rest of the California $20 issues can be classified only as scarce and dealers rate them at $22 to $25 each. They are the Moffat & Co., coins of 1853, the two U. S. Assay Office pieces of 1853, one inscribed "900," the other "884," and the two Kellogg & Co. coins of 1854 and 1855.

It should be remembered that the prices given on these $20 coins are taken from the highest quotations in dealers' buying catalogues. Numismatists naturally would have to pay considerably in excess of these figures to secure the coins.

UNITED STATES DIMES

Dimes were first coined in 1796 and they have been struck continuously since except in the years 1799, 1806, 1808, 1810, 1812, 1813, 1815 to 1819, and in 1826. They always have been one of the favorite issues among collectors, probably because so many of them may still be picked up out of active circulation.

The rarest dime is that of 1804, for which the latest dealers' catalogue offers $25 provided the coin is in fine condition. The specimen offered in the Manning sale was listed only as very good and it

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BANKING AND COMMERCIAL LAW

Effect of Indorsement Waiving Protest and Guaranteeing Payment. Richmond Guano Co. v. Walston, Supreme Court of North Carolina, 133 S. E. Rep. 196.

THE right of the plaintiff company to recover against the defendant as makers of a promissory note in this case depended upon the form of the payee's indorsement; whether the indorsement was in such form as to transfer title to the plaintiff and make it a holder in due course, or whether it merely amounted to a guaranty or assignment.

The indorsement was in this form: "Demand, notice and protest waived; payment guaranteed by the undersigned," with the payee's signature beneath.

The court held that this was an indorsement in due course constituting the plaintiff a holder in due course.

The note in question was signed by the defendant as maker and delivered to the payee corporation. The payee indorsed the note in the form described above and transferred it to the plaintiff company for value.

In this action the defendant company's defense was that there had been an agreement between it and the payee under which the payee was to sell certain cotton belonging to the defendants and apply the proceeds to the payment of the note. Without authority, the payee sold the cotton and appropriated the proceeds to its own use. The plaintiff's contention was that this defense was not available against it for the reason that the plaintiff was a holder for value without notice. This depended on whether the indorsement was in such form as to transfer title to the note and constitute the plaintiff a holder in due course, or constitute a mere assignment of the note, making it subject to defenses in the hands of the plaintiff, and it was held, as stated, that the indorsement was an indorsement in regular course, with an enlarged liability and that the plaintiff was entitled to recover.

A judgment in favor of the plaintiff company was accordingly affirmed.

Action by the Richmond Guano Co. against H. H. Walston, Jr., and another. Judgment for plaintiff, and defendant appeals. No error.

OPINION

CLARKSON, J.—Plaintiff brought an action against the defendants, who gave a negotiable note February 23, 1921, to Tomlinson Guano Co., due November 1, 1921, with interest from January 1, 1921; credit, $150, November 22, 1921. Plaintiff claimed it was the owner in due course. As a defense to the note, defendants allege that they stored with Tomlinson Guano Co. or Tomlinson & Co., Inc., 79½ bales of cotton upon certain terms to be sold and applied on the note. This was not recited in the note. They further allege that Tomlinson Guano Co. or Tomlinson & Co., Inc., were one and the same concern. Both are insolvent and have been adjudged bankrupts. The defendants further allege:

"That without their knowledge, consent, and acquiescence the said 79½ bales of cotton were sold and the proceeds converted to the use of Tomlinson & Co., Inc., or Tomlinson Guano Co., and was not applied to the discharge of the notes to secure which the same were deposited."

The plaintiff's evidence was to the effect that the note was purchased March

15, 1921, for full value, before maturity and without notice of any equities. We do not discuss the evidence introduced by defendants and that excluded by the court below tending to fix plaintiff with notice so that defendants' equities could be considered. We think the court below made no error in excluding that to which exception was taken. We think the evidence on this aspect not sufficient to be submitted to the jury. *We pass on what we consider the main assignment of error.*

The note, with all indorsements is as follows:

"$6,000.00 Wilson, N. C., February 23, 1921.

"November 1, 1921, after date, we promise to pay to the order of Tomlinson Guano Company, six thousand dollars at 6 per cent. interest from January 1, 1921. Value received.

"H. H. Walston, Jr. [Seal.]
"Britton Harrell. [Seal.]

"No. 82.

"Demand, notice, and protest waived; payment guaranteed by the undersigned.

"Tomlinson Guano Company,
"N. L. Finch, Partner.

"Pay to the order of: Tomlinson Guano Company, for collection and return of proceeds to Powhatan Chemical Co., Richmond, Va.

[This latter indorsement was stricken out, lines drawn through after it was recalled in February, 1922.]

"Cr. 11/22/21 by cash—$150.00."

The note is negotiable in form. Defendants contend that the note was not negotiated in accordance with the law merchant or the Negotiable Instruments Law. The language on the note being "demand, notice, and protest waived; payment guaranteed by the undersigned," the plaintiff contends it is an indorsement with an enlarged liability. The defendants contend the language only showed a guaranty and nothing more, and does not constitute commercial negotiation in due course.

If the language makes plaintiff a holder in due course, it takes same free from equities and defenses which the maker has against the payee. The cases of Gillam v. Walker, 189 N. C. 189, 126 S. E. 424, and Dillard v. Mercantile Co., 190 N. C. 225, 129 S. E. 598, cite C. S. 3044, on a different aspect.

We can find no decision bearing on the question in this state. We must look elsewhere. The language, "payment guaranteed by the undersigned," would indicate, as contended by defendants with much force, only a guaranty and not a commercial negotiation in due course. It is contended that especially is this true from the fact that the guarantor had cotton in its possession of defendants to sell, pledged to pay this note, which would further indicate that it would not, by the language, intend to make the note such a one, in due course, as to cut off the right of defendants to have the cotton, as agreed upon, applied on the note when sold according to the terms. This position is borne out to a great extent by Mr. Justice Strong in Trust Company v. National Bank (October term, 1879) 101 U. S. 68, 25 L. Ed. 876. The gist of this opinion is:

"The defenses of the maker of a promissory note can be cut off only by the payee's indorsement of it before maturity. A guaranty written upon it by the payee is not such an indorsement."

The learned justice says, at page 70:

"That a guaranty is not a negotiation of a bill or note as understood by the law merchant, is certain."

We have given this case thorough consideration, appreciating the hardship on defendants but, under our Negotiable Instruments Law and the great weight of authorities, we must hold that the writing on the negotiable note is an indorsement in due course so far as to transfer to and vest title in the plaintiffs, and the guaranty is "an indorsement with an enlarged liability." Negotiable papers being so important to the life of trade, the decision of Mr. Justice Strong has not been to any extent followed, and numerous states of the nation have, to a great extent, passed uniform Negotiable Instruments Laws. In this state, C. S. c. 58 (1889) "Negotiable Instruments," § 3014, is as follows:

"An indorsement may be either in blank or special, and it may also be either restrictive or qualified or conditional."

C. S. 3017:

"An indorsement is restrictive which either (1) prohibits the further negotiation of the instrument; or (2) constitutes the indorsee the agent of the indorser; or (3) vests the title in the indorsee in trust for, or to the use of, some other person. But the mere absence of words implying power to negotiate does not make an indorsement restrictive."

C. S. 3018: Effect of restrictive indorsement; rights of indorsee.

C. S. 3019: Qualified indorsement.

C. S. 3020: Conditional indorsement.

C. S. 3044:

"A person placing his signature upon an instrument otherwise than as 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."

The language of these sections indicates that to make an indorsement, as in the present case, restrictive, some language must indicate it or the consequence is that the indorsement is with an enlarged liability. The weight of authorities, whether under Negotiable Instruments Laws or by the law merchant, take this view.

The case of Ireland v. Floyd, 42 Okl. 609, 142, P. 401, L. R. A. 1915C, 661, which followed the case in United States Supreme Court, was overruled in Mangold v. Utterback, 54 Okl. 655, 160 P. 713, L. R. A. 1917B, 368. Mathews, J., for a unanimous court, in overruling the Ireland Case, not only puts it on the better reasoning and greater weight of authority but also on Oklahoma statute (section 4113, Laws 1910), which is the exact language of C. S. 3044, supra. The court says, at page 661, (160 P. 175):

"It will be observed from section 4113 that the tendency of the law, when the status of a party who places his name upon the back of a negotiable instrument is under consideration, is to resolve all doubtful cases toward holding the same to be a commercial indorsement in due course. This rule is founded upon commercial necessity. The unshackled circulation of negotiable notes is a matter of great importance. The different forms of commercial instruments take the place of money. To require each assignee, before accepting them, to inquire into and investigate every circumstance bearing upon the original execution and to take cognizance of all the equities between the original parties, would utterly destroy their commercial value and seriously impede business transactions."

This decision was rendered January 11, 1916.

In Douglass v. Brown, 56 Okl. 6, 155 P. 887, rendered February 29, 1916, the facts were as in Mangold v. Utterback, supra. The transfer and execution of the note, it will be noted, took place prior to the taking effect of the Negotiable Instruments Act (1910). The unanimous court held the note was subject to equities and defenses and cites the Ireland Case.

In First National Bank v. Cummings, 69 Okl. 216, 171, P. 862, L. R. A. 1918D, 1099, decided March 26, 1918, the principle in the Mangold case, supra, was affirmed, and Ireland v. Floyd, supra, overruled, the court going back to McNary v. Farmers' National Bank, 33 Okl. 1, 124 P. 286, 41 L. R. A. (N. S.) 1009, Ann. Cas. 1914B, 248, rendered May 14, 1912, which held the writing constituted an indorsement with an enlarged liability.

In Delk v. City National Bank, 85 Okl. 238, 205 P. 753, Bank v. Cummings is approved, and it is stated that the Ireland Case, supra, was overruled by Bank v. Cummings. After various and sundry changes, Oklahoma held that the indorsement is an enlarged liability.

Lumpkin, J., in a well thought out opinion, with numerous authorities, in Hendrix v. Bauhard, 138 Ga., 473, 75 S. E. 588, 43 L. R. A. (N. S.) 1028, Ann. Cas. 1913D, 688, held:

"Where the payees in a promissory note payable to order wrote on the back of it the words, 'For value received, we hereby warrant the makers of this note financially good on execution,' and signed their names after such entry, and negotiated and delivered the note for value, such indorsement was sufficient to transfer title to the note; and if made before maturity to a bona fide purchaser for value, without notice of any defense, he would be protected from any defenses which the maker might have, except those expressly allowed by statute."

Lowry National Bank v. Maddox (1908) 4 Ga. App. 329, 61 S. E. 296, an early decision, is not wholly in accord with the Hendrix Case. Reliance in that case is placed upon Central Trust Company v. First National Bank, 101 U. S. 68, 25 L. Ed. 876, supra. This case is disapproved in the Hendrix Case.

The Massachusetts cases seem to be in conflict on the question.

"The fact that an indorsement includes a guaranty or is in form a guaranty does not prevent the passing of title; such a writing, according to the weight of authority, amounts to an indorsement which transfers title to the note." 21 A. L. R. 1375; digesting the cases, Ann. Cas. 1913D, 688; 36 L. R. A. 232.

1 Joyce on Commercial Papers (2d Ed.) § 666, says:

"The determination of the question whether equities and defenses between original parties are available against a bona fide holder in case of contract of guaranty must rest largely upon the construction placed upon that contract in the different jurisdictions, and where it is determined that a payee or holder, who writes above his indorsement of negotiable paper a guaranty of payment, stands in the position of an indorser with an enlarged liability, such a transfer constitutes an indorsement of the paper."

Brannan's Negotiable Instruments Law, Anno. (14th Ed.) 1926, § 38, p. 323, says:

"Where the payee of a negotiable note indorses it, 'I hereby guarantee the payment of the within note and waive demand and notice of protest,' he is liable not as a mere guarantor, but as an indorser with an enlarged liability. The N. I. L. (Negotiable Instruments Law) was not cited on this point. First National Bank v. Baldwin, 100 Neb. 25, 158, N. W. 371. See other cases under sections 21, 34, 63."

The decisions years ago on this important question were chaotic. In more recent years, and especially since the passage among the states over the nation of the Negotiable Instruments Law to make the laws more uniform, the decisions are more in accord, and the great wealth hold that the indorsement, as in the present case, "Demand, notice, and protest waived; payment guaranteed by the undersigned," is an indorsement with an enlarged liability. The language makes the holder one in due course, and the instrument is taken free from equities and defenses which the maker has against the payee. The great importance in commerce and trade has forced uniform legislation in regard to negotiable instruments, and the courts have now, with few exceptions, held that the holder, under the facts in the present case, is one in due course with enlarged liability.

The Illinois act adds:

"And the addition of words of assignment or guaranty shall not negative the additional effect of the signature as an indorsement unless otherwise expressly stated." Cahill's Rev. St. Ill. 1925, c. 98, par. 51; Chance v. Hudson, 233 Ill. App. 542.

Dunham v. Peterson, 5 N. D. 414, 67

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MAKING THE CREDIT INVESTIGATION

By M. E. Robertson

THE credit investigation such as made by a New York bank is usually made for one of four reasons. 1. It is made by the bank because the bank has the account of the party being checked. Such an investigation is generally termed a revision. 2. It is made because of the purchase by the bank of the company's commercial paper offering. 3. It is made because the bank has received an inquiry from one of its customers, and therefore endeavors to obtain information. 4. This fourth reason is more correctly a group of miscellaneous reasons. The bank may have discounted some of the company's notes or trade acceptances for another of its customers, or it may be purchasing its bills in the foreign department. Perhaps some may wonder why there have not been included investigations for new business purposes, that is investigations made of companies whose business the bank is contemplating soliciting. The high type banks do not make a practice of investigating through their regular credit investigators such new business propositions, and do not endeavor to convey the impression that they are credit investigations arising from another source than new business. The higher type banks do not approach other banks of account on a proposition without frankly stating the reason for their inquiry. It is more frequent to use special men for new business work, and to have them simply make trade investigations, obtain agency reports and go only to sources for information which are not in direct competition to their own motive.

In the investigating work therefore, we have work for selves and work for others (or service). One is as important as the other, and a proper investigation requires a person of reasonable intelligence, at least fair personality, business knowledge, common sense and courtesy to make it. You cannot formulate a set of rules or questions for a person lacking in the above qualifications, send them out and expect that they will render an intelligent report. This might not be as generally true in some other cities, but in New York practically all investigating by banks is done by means of an investigator making a personal call on each party given as a reference in New York. If the investigator has not the proper qualifications he will fail to make the right impression and the party giving information will hold back unless he has unusual good will toward the bank which the investigator represents. It requires a considerable amount of time to develop a good investigator.

SOURCES OF INFORMATION

Some investigations require, of course, less work than others. It depends upon the reason prompting the inquiry. A revision of account, or a commercial paper check requires more work than the checking up on a trade acceptance offered by a customer for discount. The depth of the investigation is therefore guided by the reason prompting the inquiry. On a revision or a commercial paper, it would perhaps serve in the ordinary instance to obtain information from the following sources:

Banks of account.
Broker handling paper.
Trade selling the company.
Competitor or two of the company.

These inquiries are the work of the investigator. He calls on all New York trade houses and bank accounts as well as brokers, and writes all out of town people. He also endeavors, on companies of national reputation, to see a competitor or two in New York and in the case of investigations of commercial paper names to obtain an outside opinion of a paper buying bank. In calling on the bank of account, he endeavors in usual cases to obtain information along the following lines:

How long the account has been with the bank.

What line of credit extended. On what basis.

Is the company a steady borrower.

What amount is owing.

What sort of balances are maintained.

Opinion of the management.

Time and result of last investigation.

Last statement and synopsis of current position.

Recent advice from company as to progress.

Opinion of the risk.

The above, of course, is a group of stock questions, of which, in the strict sense of the word, many are superfluous in many ways, because one short sentence to the inquiring investigator on the part of the bank inquired of, would answer practically the question prompting the investigation, which is, "Is the company good or bad?" If the bank said, "We grant them a line of $200,000," does that not express the bank's opinion of the risk? It implies that the account is properly conducted, that the investigation resulted satisfactorily, that the management in the bank's opinion is good and indicates their opinion of the risk. One able man with one of the trade houses in New York having surplus funds for investment buys paper. He is considered an authority on the class of names which he purchases and many paper buying or paper checking New York banks, desire his opinion. He does not state the amount purchased, the result of any investigation, how he feels about management, how the business end of his own company sells them or the way payments are made in any words other than "We buy it" or "We do not buy it." Once the writer heard a credit manager give a bank investigator a story on a name somewhat as follows: "We have had the account a number of years and give them a line of $500,000 straight paper. They owe us $500,000 today, but were out of our debt for two months until last week, when they came on for their full line. Our checkings have always resulted favorably, their statements show up well in our opinion and we buy the paper for our correspondents." The investigator thinking that he should ask some question or feeling that he was not doing the job said: "What do you think of the management?" The credit manager replied, "Rotten, that's why we give them $500,000," and turning went about his work. This investigator, despite the information given him, was not content to put on his hat and go without asking at least one question.

INTERVIEWING BANKS

Present day methods used by banks in giving out information by means of a clerk in the credit department, whose duty it is to answer verbal inquiries, do not permit of interviewing the officer handling the account and obtaining his frank opinion. The investigator therefore sets about to obtain a lot of statistical information which he can write up and turn over to his seniors for analysis along with other data. By this I mean; bank lines, form, steadiness of borrowing, balances, investigation results, opinion of management, recent advice from the company. Then he sets about to obtain what seems to be the bank's actual opinion from this junior clerk who gains his idea from whatever may be written in the credit file. Also this junior clerk has his position to guard and many times will not speak frankly, fearing that he may give out some information in the file which may come back to his senior and for which he may have to answer. These reasons indicate why the investigator must use common sense, have a certain amount of personality. His personality is just as im-

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PAYING THE PIPER

BY RICHARD W. SAUNDERS

THIS old saying probably in its origin, simply meant that a man must pay for what he gets. While a certain number of people seem to be able to evade doing this to a greater or less extent, the whole industrial structure is based upon the principle that men will pay their just debts.

That it is sometimes difficult to tell when a debt is a "just" one or not is one reason why our court calendars are crowded with cases. Thousands are suing other thousands for what they consider a just cause and the other thousands are resisting because they claim it is not a just cause. It is equivalent to saying "We would pay the piper but we don't owe the piper anything" or "We don't owe him as much as he says we do." The increased growth of arbitration in the settlement of disputes is certainly a favorable sign and its application everywhere to be commended. There are few questions that cannot be quickly and properly settled by the disputants getting together around the same table especially if an intelligent unbiased arbiter is present

The expression has, however, come to possess a somewhat different meaning and to now carry with it a sort of retribution for some real or fancied unfair advantage in achieving success. People with such a mental slant—and there are many, more than generally supposed—look with envious eyes at their neighbor's success and then fall back on the so-called philosophical view that in the end something is going to befall the apparently happy possessor. The great law of compensation, they affect to believe, is coming along in due time to chastise the successful and punish him for being a success.

When one does take advantage of an illegal or immoral situation to become wealthy, there is or should be, no particular sympathy should the offender meet with misfortune. It is a hard enough struggle, playing fair, to make progress. The error, of course, is in assuming that because a person has achieved success, he must have done it by unfair methods. It is openly stated and rarely contradicted, that no man can "honestly" acquire more than a moderate fortune. An analysis of the fortunes of the country will quickly dispel this fallacy. The great majority are honestly acquired and without the honesty never would have been amassed.

Like all maxims however, which arise from the mass conception of life and its experiences, there is a large amount of truth in the thought that badly gained wealth does not stay with its possessors, or give them happiness. Wealth, however acquired, has a tendency to become dispersed and studies have been made of wealthy families tending to show that it lasts in a family but a few generations, as a rule.

The matter becomes more important as one realizes that wealth being always a matter of interest to the many, its holders are bound to be under continuous observation and their actions used as examples, good or bad. In applying the maxim therefore, one must differentiate between those who have properly obtained wealth and those who have not, and furthermore, must also consider those who properly administer it and those who do not.

Again the expression "Paying the Piper" has been used to describe those who dance and sing when they should be preparing for their life's work and laying up store for the future. Far be it that anyone should object to honest and healthy happiness. The world needs every particle of it and without it life would be unendurable. "Work hard when you work and play hard when you play" appears to be the motto these strenuous days. And it might be added "Don't play when you should be working and don't work when you should be playing."

MORAL DISARMAMENT

[Continued from page 154]

which the world has been so long accustomed.

An economic conference, rightly organized and participated in by the proper sort of men, could help in finding a way to reduce international trade friction and to remove, or at least to lessen, those barriers—artificial and useless in many cases—which are a serious hindrance to the restoration of economic prosperity throughout the world.

An honest search for peace implies, first of all, that we shall try to remove the removable causes of war. When we have done this, and proved the success of our efforts, we may safely dispense with large navies and armies,

Who is bold enough to say that national safety can be put in jeopardy by disarming before then?

TO HONOR GALLATIN

IF plans approved in a recent Senate resolution are carried out, a statue in honor of Albert Gallatin will be erected, by an association organized for the purpose, the monument to be placed at the north end of the United States Treasury in Washington. It will be a fitting complement to the fine statue of Hamilton at the other end of the Treasury.

These two men are among the most distinguished among the long list of names connected with the post of Secretary of the Treasury. Hamilton's work has made him conspicuous, not alone because of the remarkable ability he displayed, but for the reason that he was called on to provide funds for carrying on the new Government at its inception and to devise means of establishing and utilizing the national credit. His insistence on the assumption of the state debts by the Federal Government, and his assistance in establishing the first Bank of the United States, were enough to give him a high reputation as a financier.

Gallatin, like Hamilton, was a foreigner, having been born in Switzerland, but politically the two men differed. They both favored a Bank of the United States, however. Gallatin was called on to finance the War of 1812, a task rendered more difficult and costly by the failure of Congress to recharter the Bank of the United States. But Gallatin successfully opposed the plan of leading members of his party to issue Government notes to circulate as money.

Gallatin has the distinction of the longest service on record as Secretary of the Treasury—from 1801 to 1814. He was a member of the Pennsylvania Legislature, and for a brief period United States Senator, a position he was forced to relinquish on account of not having been a citizen of the United States for a sufficient period prior to his election. He also served as a member of the House of Representatives. On leaving the Treasury he became one of the commissioners engaged in negotiating the Treaty of Ghent, was later appointed Minister to France, and then to England. His closing years were passed in New York, where he engaged in banking. His death occurred in 1849.

The writings of Gallatin on banking and currency have justly held a high reputation. His theoretical knowledge was supplemented by long and successful experience as a financial administrator and as a banker. The proposal to honor him with a statue at the Treasury is a fitting recognition of his distinguished services to the country of his adoption.

It may be of contemporary interest to recall that while a resident of Pennsylvania, during the "Whiskey Insurrection," Gallatin sympathized with those who opposed the excise; but he was against the employment of violence.

His foreign ancestry recalls an anecdote in which his name figures. One day, in the United States Senate, a Senator from Pennsylvania made a remark displeasing to the late Senator John J. Ingalls of Kansas, which drew from him the following retort: "Mr. President, Pennsylvania has produced just two great men--Benjamin Franklin or Massachusetts and Albert Gallatin of Switzerland."

Of course, had the brilliant Kansan lived until now he might have been willing to make some additions to the names of distinguished Pennsylvanians. Measured by their ability to spend money in a political campaign, they are certainly not to be classed as insignificant.

MR. DEL MAR'S DEATH

IN the death of Alexander Del Mar financial literature loses from its living roll one of its well-known names. Mr. Del Mar was not a banker nor a financier. He was by profession a mining engineer. But he had a special predilection for the study of monetary history, and his investigations and contributions did much to augment the stores of information on that subject. Besides he was the organizer and director of the Bureau of Commerce, Navigation, Emigration and Statistics, which furnished the nucleus of the present Department of Commerce. He was also an editor of magazines and encyclopedias, and the author of numerous works on monetary history, the precious metals, etc. His death occurred at the ripe age of 90 years, and until very late in life he showed a keen interest in those subjects which had been his favorites in earlier years. His learning covered a wide range of topics, and made him a writer and conversationalist of rare powers and great charm. Mr. Del Mar was an occasional and valued contributor to the pages of THE BANKERS MAGAZINE.

HOW SHOULD A BANK USE ITS FUNDS

[Continued from page 158]

Management ranges from good to bad, depending largely on the foresight of the manager. There is no clear-cut distinction between safe paper and paper that may become temporarily and relatively unsafe, due to unforeseen contingencies. Inventories may fall in value, thus changing anticipated profits into losses, and safe paper into frozen assets. What test should a bank apply to an applicant in view of these facts. In "The Uses of Bank Funds" the writer has stated the answer as follows: "The equity of the borrowing owners should be sufficiently large to absorb any decrease in value of assets that may be incurred permanently. *Temporary* fall in values due to business cycle conditions is usually much greater than the *average* loss or permanent fall in the value of assets. Owner's equity should be sufficient to absorb the average loss or permanent fall in values of the assets, while funds may be borrowed for the excess temporary fall in values or lack of liquidity, until the values and owner's equity rise again."

Banks take risks, suffer losses on loans and securities, and attempt to charge rates of interest that will cover all such hazards. Judgment must be and is exercised in the selection of borrowing risks so as to keep a proper balance between such hazards and interest rates. But if a bank has a borrower who has a record for safe and sane management ,and this borrower finds himself, along with others of his class, region, or industry, in an unfavorable financial condition, due merely to circumstances which were hardly foreseeable, what policy should the bank follow toward such a borrower? When the borrower's equity thus slips away, shall the bank then regard the paper unsafe, and force the liquidation of the loan at maturity?

It has come to be a well recognized policy of banks to carry well managed firms over such emergencies. But if a

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bank happens to be in a region where cyclical conditions have been generally and extraordinarily harsh with borrowers, the bank itself may need help. It is just here that the shiftability theory comes in. Such a bank will be obliged to shift earning assets to other institutions in exchange for cash or some other liquid asset.

If such a bank is to be helped by other institutions, it must have earning assets that those institutions will accept. What will they accept? A glance at a bank balance sheet or portfolio will show bonds of all kinds, commercial paper, security loans, and many other kinds of loans. While at different stages of the business cycle some kinds of earning assets are more acceptable than at others, in general it may be said that a bank will accept from another the kinds of earning assets that are *customarily dealt in* in that particular locality, territory, or region.

Banks have all kinds of earning assets because, with the growing complexity of modern life, funds are borrowed for many purposes and loans are evidenced by many kinds of paper—short-time and long-time. Even if a bank has a small proportion of safe paper that correspondent banks do not customarily handle, such a bank will find itself safe if it has a sufficient proportion of assets that customarily may be shifted to other institutions.

A bank is expected to serve the business needs of the region in which it operates. The business needs vary from region to region and from trade to trade. The length of productive or commercial process varies with various industries. The cycle of production is different in farming from what it is in candy manufacturing, and the maturity of paper may well vary with the production process or turnover. The paper may well be suited to the peculiar needs of the region in question. *Uniform maturity for all paper is impractical and wrong in principle.* Business demands call for long maturities as well as short maturities. Paper of long maturity issued by sound and well managed concerns is as desirable as paper of short maturity, as large holdings of bonds show. The practices of correspondent banks are coming to recognize this principle.

THE HAZARDS OF LONG-TIME LOANS EXAGGERATED

While there may be more hazard incident to long-time paper than short-time paper, just because more events may come to pass in a long time than in a short time, yet this increased hazard may be balanced by a higher rate of interest on long-time paper. It is also true that if the long-time paper is issued when the well managed firm is in a crisis, the longer time will give greater opportunity to increase the owner's equity before the loan matures. Whether or not the long-time paper is more hazardous than short-time paper depends mainly on factors other than the length of time involved before the maturity of the paper. Bonds are not necessarily less safe nor less desirable than short-time paper just because they have long maturities. One-year paper is not necessarily less safe nor less desirable than thirty-day paper. Maturities can be adjusted to the needs and conveniences of borrowers.*

The revisions of our banking system during the past decade and more recognize this principle, and encourage the easy and free flow of funds for agricultural and live stock purposes as well as for commercial purposes. The rural credit legislation and the Federal Reserve System both provide funds for longer maturities than formerly, thus recognizing the need for adapting the paper to the productive process or turnover. In the crisis of 1920-21, the length of maturities of bills held by reserve banks was materially increased. The holdings of agricultural bills were materially increased. The orthodox theory of banking arose in England at a time when bank funds were used mainly in com-

*Assuming no legal restrictions on maturities.

merce. Trade in the United States has been less important than the building up of agriculture, transportation, and manufacturing. Funds are needed for fixed capital as well as for working capital, and, as just pointed out, working capital needs vary from trade to trade and from region to region.

QUALITY OF LOAN MORE IMPORTANT THAN MATURITY

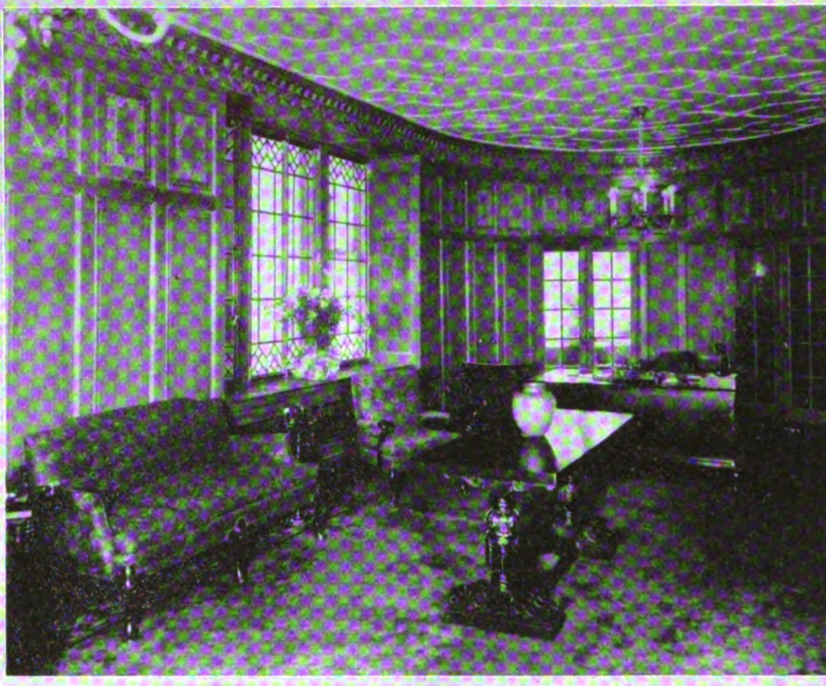
Care is exercised by banks more in surveying the quality of management and margins of equity and safety than in seeing that paper conforms to a uniform and artificial standard of maturity. This scrutiny of banks goes further than a study of financial statements of borrowers. Banks are studying operating statements and budgets, and are giving expert industrial advice to clients, all with the purpose of improving management and decreasing the hazards of loans. American banks have gone a long way toward becoming like the great banks of Germany in taking an active interest in the operations of business. The aid of their industrial departments and the thorough scrutiny of operations which banks now give to borrowers have made the maturity of paper less and less important in lending. As long as a bank holds paper of well managed concerns it can depend on other banks and other institutions for assistance in an unexpected crisis. In fact, it is the primary function even of the reserve banks to bear the credit shock of well managed banks in a crisis.

While not all paper is eligible for rediscount at the reserve banks, a well managed bank that holds paper of well managed firms will be able to secure reserve funds either directly or indirectly. It is now a well known fact that banks, although they may not obtain general security loans from reserve banks, may secure funds from reserve banks on eligible paper and use other funds for security loans. The experience of the banks in England and the United States with security loans would seem to warrant a wider use of security loans in the reserve banking system. For the first few years of the operation of the reserve system most of the active reserve bank funds were placed directly in securities or security loans, and another part was placed indirectly in security loans. Floating securities has come to be a "commercial" and legitimate enterprise, and probably some of the present restrictions placed on reserve banks, by making the flow of funds less flexible, had better be removed. Even if the reserve banks were given the power to rediscount security loans, there would probably be no rush of the banks to rediscount. Certainly for two or three years past it would seem that member banks have not overtaxed the reserve banks with eligible paper, although such paper may be taken to the reserve banks in almost unlimited amounts. Probably it would be safe and desirable to extend this right to security loans, other than Government securities. The flexibility of the credit system would be enhanced if this were done.

Changing bank practices in the United States are putting the orthodox theory of the commercial bank to the test. In every panic the orthodox theory has failed in the test, and the crisis became a panic because the orthodox theory was thought to be the sound one. In the crisis of 1920-21 there was no panic because bankers had come in practice to believe in the shiftability theory. Even greater flexibility would be obtained by a fuller acceptance of this principle. Frank recognition of this principle is in order, and attention should be centered on the strategic principles of banking rather than on uniform and obsolete notions.

IN PLACE OF THE ORTHODOX THEORY

Banking is changing; banking is evolutionary; banking institutions have come to be much broader in function than a century ago when the orthodox theory was formulated. Banks are veritable "department stores" in the field of credit and finance. Many of their practices seem strange when measured by the orthodox theory. No doubt a careful scrutiny should be given to the newer



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practices of banks. In all this scrutiny many newer practices would probably prove unsound, but the shiftability theory has won recognition. Some real questions regarding paper should be: Are the funds for a useful purpose? Does the borrower have the proper proportion of working and fixed capital? Does the borrower have a sufficient income and equity in the business? Is this the kind of paper other banks wish to hold? Such questions as these may well give place to the demand for short maturities. More emphasis should be placed on the length of trade processes, margins of equity and safety, and the quality of management. More thought should be given to the fact that no bank can stand alone, that risks must be united as in insurance, that a bank must have on hand sufficient paper that other banks customarily handle. Safe earning assets may be shifted to other institutions in a crisis, and many banks may support the bank in distress, and thus indirectly bear the unforeseen risks of enterprise

CAPITALISM OR WHAT?

[Continued from page 161]

system admit that "we may find ourselves, in fact, if we abolish wage slavery, worse off than we are now." ("National Guilds," by S. G. Hobson and A. R. Orage, p. 113.) And yet in spite of this candid acknowledgement, these enthusiasts invite mankind, at a time when it is still suffering from the poverty and dislocation consequent on a great international cataclysm, to gamble with its livelihood by making an experiment which by their own admission, may make it "worse off."

If the economic position under capitalism were desperate, there might be some excuse for putting forward such admittedly desperate remedies. But happily, as we all know, it is very far from being so. Amazing progress has been made in improving the material standard of life, in the century or so that has elapsed since capitalism, in the sense in which the word is now usually used, has been fully developed. It was admitted above that the free choice exercised by individuals in consuming sometimes leads to the production of bad articles; but these vulgarities are merely a fringe and a frilling. In quality and variety of food and clothing, in comfort and sanitation in housing, in cheapening literature and information and facilities for travel and amusement, and all material things that make life possible and worth having, capitalism has enormously bettered the lot of man. Terrible poverty still exists in our midst and is a blot on our civilization; but to cure the poverty of a small minority by lowering the standard of the whole community and adopting a system under which economic progress would almost certainly be retarded, seems to be taking hold of the problem at the wrong end of the stick.

THE CONTRIBUTIONS OF CAPITALISM

And even the lot of the destitute has been alleviated by the greater wealth and more sensitive conscience of the community under capitalism. For the progress that it has brought with it has not, as is so often contended, been diverted to the benefit of a small class. It has been diffused throughout society and is likely to be still more so, now that employers are beginning to recognize that prosperous working classes, with high wages in their pockets, are the best markets for mass production. But even in England where conventions and relics of feudalism long held back the prosperity of the manual workers, the wealth created by capitalism was showered over the whole community, during the century before the war. Sir Josiah Stamp, the well known authority on statistical investigations, states in his work on "Wealth and Taxable Capacity" (p. 94) that "the ordinary person of today is four times as well off in real commodities as the person in the corresponding stage in the scale in the beginning of the Nineteenth Century." He lays stress on the fact that the increase in wealth has been "evenly shared by *all* classes of the population."

So much has capitalism done for us, in spite of wars and strikes and other foolish obstructions and interruptions. If only we had the sense to work together, to make something better of it, instead of trying to reform it by overturning it in favor of experiments which might admittedly make us "worse off," its power to increase our material comfort, to say nothing of moral and spiritual progress, in the century that is coming, is quite incalculable.

THE FUTURE OF THE GAS INDUSTRY

[Continued from page 166]

favorable rate and service conditions, the advantages of gas are so pronounced that its use as an industrial fuel may easily take the lead over all its other uses.

DEVELOPMENT IN HOUSE HEATING

One of the most outstanding recent developments is in the field of house heating. Wherever gas men meet it is one of the principal topics of discussion. The trade magazines are full of it. The public is showing keen interest and inquiries are coming in from all sides. One does not need to look very far ahead to see gas for house heating a large factor in the plans of every gas company. A sufficient number of installations have already been made to warrant the belief that the public will welcome this new application as rapidly as it can be made economically available.

Expert authority says that in the average household furnace a ton of raw coal yields about 12,000,000 heat units, while the same quantity burned in a modern gas plant would produce at least 20,000,000 heat units ready for effective work; and in addition valuable by-products would be saved which now go up in smoke through countless chimneys.

When one attempts to visualize the thousands of residence and apartment house furnaces in the City of New York, for instance, many of them in the hands of unskilful operators, each furnace supplied from a separate coal pile stored on the premises, each requiring to be looked after several times a day, one begins to get some idea of the enormous waste of fuel and of human energy involved in operating all of these installations as independent units, including the expense and inconvenience of handling and storing the coal and removing the ashes, with the resultant dirt and dust that injures rugs, furniture and draperies and is certainly not conducive to health or bodily comfort.

When one contrasts this with the same number of installations using gas as fuel, supplied from a central station and, therefore, not subject to ordinary stoppages and interruptions nor to wide fluctuations in price, absolutely clean and free from dirt, dust, smoke, soot and ashes, needing no space for storage, requiring little attention and no labor, with temperatures automatically maintained at any desired point night and day, one gets some measure of the potential value of gas as a conserver of human and material resources and realizes that the industry's slogan, "You can do it better with gas," is no empty phrase.

Here is a vision of the future—whether of the near or of the distant future depends upon factors that cannot now be precisely evaluated. At any rate, measurable progress has already been made toward its fulfillment, and its complete realization should present no greater difficulties than were encountered at similar stages by other services and facilities which are now commonplaces of our everyday life.

One "fly in the ointment" with respect to the house heating business, from the gas company standpoint, is that, unlike the industrial business, it is seasonal, lasting but a few months a year, and unless balanced by an equal amount of summer load, a considerable portion of the manufacturing plant will be idle a large part of the year. However, as it is expected that the house heating load will be taken on gradually it should be possible to build up a corresponding summer load and in this way level off the peaks and fill up the valleys of the load curve. In water heating and in gas refrigeration, which latter is just coming to the fore—to mention but two possibilities—there is already promise of a summer business that will tend to equalize the winter load of house heating by the time that becomes of substantial proportions. The situation is a challenge to the enterprise and initiative of the industry which may be relied upon to cope with any difficulty.

Enough has been said, the writer thinks, to show that that ancient bugaboo, the so-called "saturation point," holds no immediate threat to the industry as a whole.

THE QUESTION OF RATES

Before gas can reach the point of fullest utilization, however, it must be freed of certain legislative restrictions that still hamper it in some places. For example, the old "flat" rate, established years ago when gas was used for but one purpose—lighting—served well enough as long as this condition prevailed, but it acts as a brake upon the development of the service along economic lines under present-day conditions of diversified use. Yet it still remains imbedded in some of our statutes. It should be eliminated, and gas companies, under proper supervision of public authority—that is, the public service commissions of the various states—should be permitted to adopt rate schedules that are sufficiently flexible to allow an equitable allocation of charges among the several classes of consumers, so that one class will not be penalized or favored as compared with another, but each will have a rate that encourages the maximum use of the service. The extension of gas into the industrial and commercial field, into house heating and other large installations, makes scientific rate structures of paramount importance; for it is generally recognized that one way to lower costs in any industry is through economies effected by large-scale production.

The same is true of standards of quality. These, like the approval and fixing of rates, should be left to the state commissions, created for this purpose. Arbitrary interference of the legislature, ignoring and overriding its own agent, the public service commission, is unjustifiable and invariably gives rise to long-drawn-out and costly litigation—costly to company and public alike—and is inimical to progress for it consumes the energies of officials and employes who should be more usefully engaged. Whatever the outcome of such litigation, one fact can hardly be disputed: Legislatures have neither the time nor the facilities to deal adequately with such intricate and technical problems as utility rates and service standards. Serious as these drawbacks are as affecting the interests of individual companies, however, they have only a minor bearing on the future of the industry at large, for they will undoubtedly give way in time to a fairer and more enlightened policy based upon considerations of the general welfare and sound economic principles. To hasten this consummation is one of the prime objectives of the industry.

Although the writer has done no more in this brief survey than touch upon some of the channels through which gas is finding new and enlarged outlets, he has made it clear, he hopes, that the industry is in the full tide of strength and vigor and that its future rests upon firm and secure foundations. It is better organized than ever before, is alive to its opportunities, is animated by the spirit of service, and is striving to put itself in position where it can lighten the burdens of future generations even more than it has those of the past.

INSTALMENT FACTS REFUTE INSTALMENT FANCIES

[Continued from page 170]

but has been so vigorously opposed by the dealers that it is no longer in favor anywhere and bids fair to pass from the scene altogether when its unsoundness is generally recognized. It was adopted, of course, as a sales stimulant, but has been conspicuously disappointing in that respect. Only one of the subsidizing factories has gained materially in its proportion of the industry's production, and several have lost, while on the other hand notable advances have been scored by manufacturers who do not subsidize. In the meantime the well managed independent company has been able to carry on at normally profitable rates, and even, here and there, to increase its proportion of the business, which has further demonstrated the unavailing nature of specious rates as a buying incentive. This evil, too, is therefore curing itself from within and cannot be pointed to as a symptom of demoralization but merely as a passing phase in a generally sound process of evolution.

THE PITFALLS OF INSTALMENT SELLING

Let no one imagine, however, that because instalment selling looks sound from within it has no pitfalls or limitations. Like every other credit plan it is only safe because it is kept so, and the process of surrounding it with proper safeguards is both laborious and costly. In the automotive field, for example, where losses, in round figures, average some $2.22 per car financed it costs an average of $28.78 to keep them within such trivial limits—and the omission of any of the operations involved in that cost will inevitably reflect itself in a disproportionate increase of the loss ratio. Any effort to expand its field without recognition of sound credit principles will be disastrous. Any attempt to skimp its protective procedure within its present field will end in grief. It is a highly specialized business and if not made safe can be exceedingly unsafe. It does not lend itself logically to merchandise of no enduring value and no ready resale market. Automobile financing is safest among cars that combine great durability with an active demand. It would be impossible with a car of only one year's life or one with no dependable resale value. It is impossible today on used cars so old as to come within the latter category.

The same principle must apply in other lines if instalment selling is not to get us into trouble.

MERCHANDISE MUST BE LIQUID COLLATERAL

The merchandise itself must be liquid collateral. The buyer's original equity must be sufficient to give him a proper incentive to pay out. The balance must be in such proportions as will stimulate the buyer's incentive toward ultimate ownership and decrease the seller's equity at a much more rapid rate than the market depreciation of the property. The period of the transaction must be limited to the reasonable period of original service of the merchandise, i. e., its period of service without parts renewal or repair. When it runs beyond this the maintenance cost may absorb the sums required to meet unpaid instalments.

Using the motor vehicle as an illustration once more—terms exceeding twelve months are unsound for all these reasons and one of their chiefest hazards is the repair bill that so often stares the buyer in the face after the first year's use. Often the buyer of this class can pay for the car or for the repairs but not for both and without repairs the car is not worth owning, so perforce he lets it go.

These considerations underlie all safe use of the instalment method. Apply them and back them up by proper credit selection and alert collection methods and you do the world a service, if we may judge from the effects to date of instalment sales on American industry. Disregard them or apply them with haphazard methods of selection and control and you enact an economic crime. The present agitation has value in so far as it focuses our thought on the indispensability of these factors. If it leads to any hasty conclusions, adverse to instalment sales as such, it will do incalculable harm.

SOME THOUGHTS ON OLD COINS

[Continued from page 173]

brought $20.25 at auction. An uncirculated coin of this date, of course, would sell at a much higher figure.

Next in rarity are the dimes of 1797, 1800, 1801 and 1802, for which $5 each is offered for fine coins, while the 1798 and 1803 are listed at $3.50 and the 1796 and 1822 at $2.50 each. The 1805 dime is appraised at $1 and that of 1807 at $1.50. For the 1809 date $2 is offered and for the 1811 and 1846 the quotation is 75 cents each. It is espressly stipulated, however, that the coins must be in fine condition. There are also small premiums on all other dimes down to 1829, and also on the 1879, 1880 and 1881 issues provided they are in uncirculated or proof condition.

There always is a small premium on all proof coins and in the dime series all such coins from 1858 to 1881 are growing increasingly hard to secure. This also is the case with a number of other dates which have so far not been allotted space in dealers' buying lists. From all indications it appears that the dimes from 1830 to 1837 and the Philadelphia mintage from 1863 to 1867, provided the coins are in fine to uncirculated condition, will shortly have to be advanced to the premium division to enable dealers to replenish their stocks.

Within the last few years there has been a considerable growth in the ranks of United States coin collectors and as a natural result numismatists find it increasingly difficult to secure the earlier issues. In addition to this, many collectors are now specializing in coins which have passed the century mark, thus making greater inroads on the issues struck prior to 1830. This has been particularly noticeable in the absense of many of the early dates in the silver half dime, dime, quarter dollar, half dollar and dollar series in most of the public coin sales held during the last year.

The tendency toward growing scarcity of the early silver issues is probably best demonstrated in the case of the half dollar of 1794. A few years ago this coin could be readily purchased in very good condition, for about $4.50. The same coin, in a similar state of preservation, when now offered at auction, usually falls to bids of $12 to $15. In finer conditions it naturally brings more. A similar advance is also shown by some of the dimes and half dimes struck prior to 1800. Quarters minted before 1830 have also been affected, although to a lesser degree.

BANKING AND COMMERCIAL LAW

[Continued from page 178]

N. W. 293, 36 L. R. A. 232, 57 Am. St. Rep. 556, holds that, when the payee of a negotiable promissory note transfers it by indorsing thereon a guaranty of payment, the purchaser is an indorsee, within the rule protecting an innocent purchaser of such paper for value, and before maturity, against defenses good between the original parties. Full authorities are cited in the opinion.

The indorsement is an enlarged liability. This is now held to be so by the great weight of authorities, both by the law merchant and the Negotiable Instruments Law. The indorsements in some cases are, "I hereby guarantee the payment of the within note," and others are as in the present case, with the addition, "demand, notice, and protest waived; payment guaranteed by the undersigned." Myrick v. Hasey (1847) 27 Me. 9, 46 Am. Dec. 588; Robinson v. Lair (1870) 31 Iowa, 9; Kellogg v. Douglas County Bank (1897) 58 Kan. 43, 48 P. 587, 62 Am. St. Rep. 596; Helmer v. Commercial National Bank (1890) 28 Neb. 474, 44 N. W. 482; Bank of Woodstock v. Kent, 15 N. H. 579; National Exchange Bank v. McElfish Clay Mfg. Co., 48 W. Va. 406, 37 S. E. 541; First National Bank v. Shaw (1909) 157 Mich. 192, 121 N. W. 809, 133 Am. St. Rep. 342; Elgin City Banking Company v. Zelch (1894) 57 Minn. 487, 59 N. W. 544; Mullen v. Jones, 102 Minn. 72, 112 N. W. 1048. The states that *now* hold that the indorsement passes title free from defenses, are Georgia, Iowa, Maine, Michigan, Minnesota, Nebraska, North Dakota, Oklahoma, Oregon, and many others.

The reason of the conflict and chaos we think perhaps the question by the law merchant made the matter doubtful although the weight of authorities does not so indicate; but, under our Negotiable Instruments Act, we think it clear that the indorsement carried the title and the holder was one in due course with an enlarged liability.

For the reasons given, there is no error.

DRAWER DISCHARGED BY DELAY IN PRESENTMENT OF CHECK

Northern Lumber Co. v. Clausen, Supreme Court of Iowa, 208 N. W. Rep. 72.

The holder of a check is under an obligation to present it to the drawee bank for payment within a reasonable time. His failure to comply with this obligation will discharge the drawer from liability on the check in the event that the drawer is in any way damaged by the delay. The insolvency and closing of the drawee bank before the check is presented is about the only thing that can happen in this regard to cause a loss to the drawer. When this occurs, the drawer will be relieved from liability, whereas, if the check had been presented promptly, the drawer would have remained liable.

Where the person to whom a check is delivered is in the same town in which the drawee bank is located, the law requires that he present the check for payment not later than the day after it is received by him.

In the present case, the defendant delivered a check to the plaintiff, which check was drawn on a bank at Estherville, Iowa, the town in which the plaintiff was located. Instead of presenting the check to the drawee for payment, the plaintiff forwarded it to a bank in Minneapolis. The bank on which the check was drawn failed four days after the check was delivered to the plaintiff and the check was returned protested. It was held that the check had not been presented within a reasonable time and that the drawer was discharged from liability.

Action to foreclose a mechanic's lien.

On trial, the district court refused the prayer of plaintiff's petition and dismissed the same. Plaintiff appeals. Affirmed.

OPINION

ALBERT, J.—Appellant is a corporation, with its principal place of business at Estherville, Iowa, engaging in the sale of lumber and building materials. It has a local yard at Gruver, Iowa, a small town seven miles distant from Estherville.

In the spring of 1923 appellee Clausen bought lumber and building material from appellant under contract, the bill for which amounted to approximately $3125. Various payments were made on the account, and July 24, 1923, appellee executed and delivered to appellant his check for $600, drawn on the Estherville State Bank of Estherville, Iowa. This check was delivered to one Anderson, the agent of appellant at Gruver, who, on the same day, transmitted it to the general office at Estherville. This check was not then presented to the Estherville State Bank for payment, but, on the same day, was forwarded by appellant to the First National Bank of Minneapolis. It reached the Minneapolis bank on July 25, on which date the Minneapolis bank mailed it to the Estherville State Bank. The record is silent as to the time said check reached the Estherville State Bank. It is stipulated that the Estherville State Bank closed its doors on July 28, and was taken over at that time by the state banking department. The $600 check was protested and returned by the state bank examiner to the First National Bank of Minneapolis. It is also stipulated that at the time said check was drawn, and at all times thereafter, Clausen had on deposit, in the Estherville State Bank, a sum much in excess of the amount called for by said check. The Minneapolis bank returned the check to the appellant at Estherville.

At the time the $600 check was delivered, appellant credited Clausen's account with that amount, but said check was not charged back to Clausen when it was protested. On August 1, 1923, Clausen gave appellant a check for $500, and on August 6 following he gave another check for $500. Appellant disposed of these two checks by deducting $600 therefrom, to take up the old check, and crediting Clausen's account with the remaining $400. It is out of this transaction that the differences between these parties arise. The balance of the account has been paid in full.

The first question raised in the case necessitates a reference to the pleadings. Appellant filed a mechanic's lien, and in this action seeks to foreclose the same. It alleges a balance due of $586.35. The appellee answers, denying the indebtedness, and alleges that he delivered to the appellant, to apply on this account, two checks for $500 each, and that for said checks he received credit on his account for only $400. He says that, therefore, his account is paid in full and asks that appellant's petition be dismissed. No reply was filed by appellant to the answer of appellee. The claim of appellant is that it had an oral understanding with appellee that these two checks, amounting to $1000, were to be applied exactly as it did apply them; to wit, $600 to take up the protested check, and $400 on account. It further contends that, even if there were no such oral agreement, it had the right, under the law, to make application as it saw fit, so long as it received no direction whatever from the debtor as to the application to be made of the payments.

Both sides argued the question of waiver and estoppel and confession and avoidance, and the question of whether or not the affirmative allegations of the appellee's answer should have had a reply in the nature of a confession and avoidance or a plea of waiver and estoppel on behalf of the appellant before he would be entitled to make either of the above claims. We do not deem this question of very material importance in the determination of this case. Boiled down, appellant's claim is that appellee owed the sum of approximately $600. The appellee says that he paid this amount in the check for $600 above referred to. The burden of proof is on the appellant, in this instance, to prove his claim unpaid, and he is entitled to meet any evidence of appellee proving payment by any evidence available which shows nonpayment. Therefore, when appellee tendered his evidence showing payment by these two $500 checks, the burden still rests on the appellant, and he has the right to introduce any evidence which will sustain his burden of proving the account unpaid. We are, therefore, of the opinion that appellant had the right to show that, even though this money was paid to him, such payment was not made to apply on the account in controversy, and that therefore no reply was necessary.

As to testimony regarding an agreement that the protested $600 check was to be paid by deducting that amount from the two checks making the $1000 payment, the evidence is in hopeless conflict. It is our opinion that appellant has not sustained his burden of showing said agreement, and, therefore, must fail on the claimed agreement.

It is the claim of appellee that the balance of said account has in fact been paid by the $600 check above referred to. He bottoms this contention on the proposition that, having issued the check on July 24, 1923, on the Estherville Bank, at Estherville, Iowa, the principal place of business of appellant, if appellant had presented said check for payment at the Estherville bank within a reasonable time after receipt of same, it would have been paid in full; but the bank on which the check was drawn was closed and the check dishonored through the negligence of appellant, and the loss caused thereby is, therefore, on appellant. In other words, if the check had been presented to the Estherville bank the day it was received, or the day thereafter, the evidence shows it would have been paid in full. Instead of so presenting it, appellant forwarded the check to the First National Bank at Minneapolis, some 200 miles distant, and, so far as the record shows, it was not in fact presented to the Estherville bank until after it had closed its doors.

Section 9647, Code of 1924, which is identical with section 3060a186, Supp. 1913, reads:

"A check must be presented for payment within a reasonable time after its issue, or the drawer will be discharged from liability thereon to the extent of the loss caused by the delay."

The question therefore is, what is a reasonable time for the presentation of a check under the above section of the statute? and, secondly, as applied to this case, was this check presented within a reasonable time after its issuance? If not so presented, then the drawer is released from liability, and he would be entitled to charge the same against the appellant, or, in other words, to have it credited to his account, regardless of whether appellant received the proceeds of the check. Forwarding a check by a circuitous route may, as a general rule, be said to constitute negligence, except where the check reaches its destination as soon as if sent direct to the bank. Brady's Law of Bank Checks, p. 101, § 74; 8 Corpus Juris, 543, § 754; Savings Bank v. Moodie, 110 N. W. 29, 113 N. W. 476, 135 Iowa, 685. It may be said in passing that we are not dealing with the question of the indorser of a check in the instant case.

It is a well settled proposition of law that, where a person receives a check in the town where the drawee bank is located, it must be presented before the close of the next business day. Brady's Law of Bank Checks, p. 98, § 72; 8 Corpus Juris, §§ 753, 754. Ordinarily the question of whether presentation of a check has been made within a reasonable time is a fact question. This case being in equity, and triable de novo here, by application of the above rules governing such matters, we are abundantly satisfied that said check was not presented within a reasonable time, as provided for by the above-quoted section of the Negotiable

Instruments Law. This being true, the loss which occurred must fall upon the appellant. The loss having fallen on appellant, the $600 balance due on account, represented by said check is paid; therefore, there would be no right on the part of appellant to take the $600 out of the $1000 to offset the $600 check. The ruling of the district court in dismissing the appellant's petition was right.

Affirmed.

PAYMENT OF CHECK DRAWN TO THE ORDER OF TWO PERSONS

Dewey v. Metropolitan Life Insurance Co., Supreme Judicial Court of Massachusetts, 152 N. E. Rep. 82.

Where a check is payable to the order of two persons jointly, it may be discharged by payment on the part of the drawee bank to one of the payees, provided the bank pays without notice of any lack of authority on the part of the person receiving payment.

The Negotiable Instruments Law provides that "where an instrument is payable to the order of two or more payees or indorsees, who are not partners, all must indorse unless the one indorsing has authority to indorse for the others." It is held, however, that this provision refers to the transfer of an instrument and has no application to the effect of a payment to one of several payees.

In the present case, a check signed by the defendant company, representing the proceeds of insurance policies, was payable to the order of John F. Ryan and Mary Dewey, the latter being the plaintiff in the case.

Ryan cashed the check and it was collected from the drawee bank. At the time when it was cashed, it bore his indorsement and the indorsement of Mary Dewey by mark. The plaintiff denied the genuineness of her indorsement and the jury found that she did not indorse the check. Apparently, there was no finding as to whether she had authorized Ryan to indorse for her.

The plaintiff brought this action against the drawee bank to recover the amount which represented her interest in the proceeds of the check. In accordance with the rules stated, it was held that the defendant bank was not liable. Notwithstanding this decision, it would seem to be a proper precaution on the part of a drawee bank, in paying a check drawn to the order of two persons jointly, to make sure that the check is indorsed by each payee and that each indorsement is made by the proper payee or by his authority.

Action by Mary Dewey against the Metropolitan Life Insurance Company. On report, after directed verdict for defendant. Judgment on verdict.

OPINION

PIERCE, J.—This is an action of contract upon a check drawn by the defendant upon the Metropolitan Bank of New York, dated November 24, 1914, payable to the order of John F. Ryan and Mary Dewey, for the sum of $768.98 "in full of all claims and demands under" two industrial insurance policies on the life of Ellen Dewey, the mother of the plaintiff. At the close of the testimony, on the motion of the defendant the judge directed a verdict for the defendant, and, subject to the plaintiff's exception, the jury returned a verdict for the defendant.

"It was thereupon agreed by the parties that * * * [the judge] should report the case to the Supreme Judicial Court and that if that court should be of opinion that the direction of a verdict for the defendant was wrong, the verdict should be set aside and judgment entered for the plaintiff for the sum of $593.98, with interest thereon at 6 per cent., per annum from September 23, 1915, and costs, and if that court should be of opinion that the direction of a verdict for the defendant was right, there should be judgment on the verdict."

The pertinent facts in support of the plaintiff's case are as follows: In 1892, and again in 1894, the plaintiff took out a policy of industrial insurance on the life of Ellen Dewey, her mother, in the defendant company, "with no named beneficiary but payable to a blood relative or other lawful beneficiary." The policies contained the provision that "the policies and all premium receipt books must be surrendered before payment claimed." From the several dates when the policies issued until the insured died, in November, 1914, all premiums were paid to the defendant's agent by the plaintiff directly or through one Timothy Ryan or his son, John F. Ryan. There was an arrangement between the Ryans and the plaintiff whereby the Ryans held the policies for safe-keeping, paying the defendant company the premiums regularly each week and the plaintiff reimbursing the Ryans for all expenditures made in her behalf. John F. Ryan officiated as undertaker at the funeral of Ellen Dewey, and the plaintiff made an oral agreement to pay him the sum of $175 for the expense of the funeral upon the receipt by the plaintiff of the defendant's check for the amount due on the policies. At the same time the plaintiff authorized Ryan "to instruct the defendant company, through its local office, to make out its check to the plaintiff and said John F. Ryan jointly," and the said John F. Ryan was to call at the defendant's Holyoke office to get the check when it should come and bring it to her at her home so that the two payees could go together to a bank and cash it, and out of the proceeds Ryan was to get the said sum of $175 and the plaintiff the balance. "It was agreed that the said check was issued in payment of claims under the above mentioned policies and that the plaintiff authorized the making of the check to herself and Ryan jointly, and its delivery to Ryan." It further appeared in evidence that Ryan received the check about the time of its date and cashed it at the Union Trust Company in Springfield, Massachusetts, on March 23, 1915; that when deposited it bore on its back the name of John F. Ryan as indorser, and the name of Mary Dewey, by mark, as indorser. The genuineness of the signature of the name of Mary Dewey by mark was denied by the plaintiff, and the jury found that she did not indorse the check.

A check is a bill of exchange drawn on a bank. G. L. c. 107, § 208. As such it is a negotiable instrument. G. L. c. 107, § 23. The rule deducible from the cases is that a payment of a bill at maturity, in full, by the acceptor or other party liable, to a person having a legal title in himself, and having the custody and possession of the bill ready to surrender, and if the party paying has no notice of any defect of title or authority to receive, the payment will be good.

"* * * Faith is given to the holder, mainly on the ground of his possession of the bill, ready to be surrendered or delivered, and the actual surrender and delivery of it upon the payment or transfer." Shaw, C. J., in Wheeler v. Guild, 20 Pick. 545, at 553, 32 Am. Dec. 231.

It is a general principle that one of several joint obligees may discharge an entire claim by the receipt of payment of such claim (Allen v. South Penn. Oil Co., 72 W. Va. 155. 77 S. E. 905; Piersons v. Hooker, 3 Johns. [N. Y.] 68, 70, 3 Am. Dec. 467), and that a bill or note payable to two or more persons jointly may be made to either of them and the debt be thereby extinguished. Park v. Parker, 216 Mass. 405, 103 N. E. 936; Bruce v. Bonney, 12 Gray, 107, 111, 71 Am. Dec. 739; Wright v. Ware, 58 Ga. 150, 152; 30 Cyc., and cases cited under note 24.

The provisions of G. L. c. 107, § 64, that, "where an instrument is payable to the order of two or more payees or indorsees who are not partners, all must indorse, unless the one indorsing has authority to indorse for the others," is but a statement of the common law as it was understood in this commonwealth before the passage of the Negotiable Instruments Law (St. 1898, c. 533, § 41; Smith v. Whiting, 9 Mass. 334), and has no application to the effect of a payment to one of several joint obligees or payees.

It follows that, by the payment to Ryan, by the bank, of the full amount called for by the check, it was discharged and canceled; and that the contractual rights of the insurance company, which were created by the delivery of the check to the authorized agent of the plaintiff, were extinguished on the delivery of the check to the bank, when it cashed it without notice of any limitation on the right of Ryan to receive the proceeds of it.

The direction of a verdict for the defendant was right, and judgment is to be entered on the verdict, in accordance with the agreement of parties.

Judgment for defendant.

MAKING THE CREDIT INVESTIGATION

[Continued from page 180]

portant to him in making friends with these junior clerks, as it is in interviewing big men. In interviewing a bank, the investigator must think fast, watch for slips and after answering a shrewd question should be ready to come back in a quick courteous way with one of his own equally as shrewd. He has to do his thinking when interviewing his man and not think up questions he should have asked when the interview is all over.

GETTING INFORMATION FROM THE BROKER

With regard to the broker information obtained is chiefly statistical, along the following lines:

Copies of statement for past three years.

Operating figures.

Form of offering.

Worth of indorsers, if indorsed.

Maximum and minimum outstandings for past two years and time of same.

Amount out today.

Trade selling the company.

Recent advice of company's progress.

Details of any statement item not clear.

Banks buying the paper in large amounts.

These of course, are also stock and it is up to the investigator to raise common sense questions as they occur to him.

INTERVIEWING TRADE SELLING THE COMPANY

In interviewing trade selling the company the following stock questions are given:

How long have you been selling them?

What is the highest credit?

What limit have you set?

On what terms do you sell?

On what basis do they pay?

What do they owe today?

Is anything past due?

Do they live up to contracts?

Do you have trouble with them over merchandise?

Are you acquainted with the management and what is yo r impression of them as merchants?

INTERVIEWING COMPETITORS

As to the competitor, it is usually difficult to get him to talk. The points to endeavor to cover are:

Opinion of product.

Merchandising policies.

Future of product.

Management of company.

In the case of obtaining an outside opinion on paper names, the questions asked of a bank are much the same as a bank of account, except you are interested in the amount of paper purchased and how recently rather than amount of line, balances and steadiness of borrowings.

BUSINESS HOLDING UP DESPITE SKEPTICISM

[From the monthly bulletin on economic and financial conditions published by the National City Bank of New York]

DESPITE the skepticism as to the outlook that has been continuously displayed during the last six months, and the handicaps of weather, falling commodity prices and a bear stock market much of the time, business has displayed a vitality that gives much assurance as to the soundness of its foundations. Already many of the prophets of building decline have gone astray because they have failed to recognize that the present building boom is founded not alone upon the shortages accumulated during the war, but is the result also of the great changes that have taken place in standards of living and in standards of efficiency in industry. These changes have rendered our dwellings and office buildings and factories obsolete, and necessitated the reconstruction of large sections of our cities and our manufacturing plants to conform to more modern ideas and requirements.

After all the fundamental cause of our prosperity over the last few years is not to be found in the activity of any one industry or group of industries, but rather in the great increase in per capita production which has made it possible for each worker to share in a larger way in the returns from industry, and thus maintained consumption on a level equal even to the high level of production. This general state of well being, together with the growing diversification of industry, has contributed to increased stability and made business less susceptible to shocks at any given point. The present situation is conspicuous for the absence of the usual premonitory symptoms of depression, price inflation and tight money.

BANKING AND FINANCE ABROAD AND INTERNATIONAL BANKING NOTES

THE FINANCIAL AND ECONOMIC SITUATION ABROAD

By William Hayes

CAILLAUX has crowded Pilsudski off the center of the European stage. After his volcanic eruption from political smoldering, the Marshal has slowly died down. "The wizard" got his chance when, after the resignation of the ninth Briand ministry, and the failure of both Briand and Herriot to form ministries, Briand formed his tenth cabinet with Caillaux as Finance Minister. M. Caillaux was not Briand's choice. He was only invited after Poincare had refused the finance ministry, partly, it is believed, because he opposes the Mellon-Berenger debt agreement to which the government is committed, and partly because he does not believe the French finances can be straightened out without further inflation or a moratorium—and he does not care to be the Finance Minister under which either of these measures originates. M. Caillaux, before accepting, insisted that he be allowed a more or less free hand in directing the financial policies of France while he holds office as Finance Minister.

The complete cabinet is as follows: Premier and Minister of Foreign Affairs, Aristide Briand; Finance Minister, Joseph Caillaux; Minister of Justice, Pierre Laval; Minister of the Interior, Jean Durand; Minister of War, General Guillaumat; Minister of Marine, George Leygues; Minister of Education, M. Nogaro; Minister of Public Works, Daniel Vincent; Minister of Agriculture, M. Birnet; Minister of Commerce, M. Chapsal; Minister of Colonies, M. Perrier; Minister of Labor, M. Durafour; Minister of Pensions, M. Jourdain.

Part of Caillaux's "wizardry" is simple economy. The first thing he did after his appointment was to send a circular letter to the other ministers reminding them that they must restrict to the minimum the number of their assistants and aids.

Another of his pet projects is the magician's transformation of the floating debt into currency. He wants to pay off the floating debt as it falls due by further issues of currency by the Bank of France, thus removing the sword that is always hanging over the head of the treasury in the form of large blocks of floating debt liable to be presented for redemption. At the same time, such a metamorphosis of debt into currency would save interest charges, lifting a considerable burden from the backs of taxpayers. But all this requires further inflation.

HEAD OF BANK OF FRANCE OUSTED

It is well known that M. Robineau, governor of the Bank of France, is set against inflation, and against the use of the gold reserve of the bank as a crutch to help the limping franc. He must be got rid of if Caillaux is to carry out his plan to make the Bank of France a part of the Finance Ministry. Therefore, Caillaux's second act was to dismiss M. Robineau, putting in place of him M. Moreau, director general of the State Bank of Algeria. M. Picard, vice-governor of the Bank of France, has been appointed director general of the State Bank of Algeria, in place of M. Moreau.

Where M. Caillaux (and the whole ministry) is most likely to meet defeat is, however, not on this inflation question, nor on his methods of taxation, although they are as distasteful to the Socialists as a red flag to a bull, but on the debt funding agreement with the United States. M. Caillaux has little approval of the settlement—for it represents the accomplishment of a task at which he failed—he realizes that now the agreement is signed and ratified by the United States, the important part of France's work at present is to ratify the agreement. Then she can begin to give attention to her internal affairs. In the latter part of June, on a vote of confidence, the government was upheld by the absention of the conservatives from voting. They refrained until they should have some declaration from the government on this vexing question of the debt agreement.

The opposition is very substantial. The French public has fastened its attention on this as the tangible cause of all the financial difficulties. But it isn't, as is evident from a glance at the figures. France's total debt has a face value of 300,000,000,000 gold francs. Of this only about one-tenth, 41,000,000,000 gold francs is external debt—and the external debt includes also the money due Great Britain. Bringing the debt down to its value in paper francs, the internal debt amounts to 56,000,000,000, and the external debt (reduced by the settlements) to about 23,000,000,000. It is the internal debt, for which no provision has been made, that is making the trouble. By this means, France has lost her credit both at home and abroad, as was amply demonstrated by the failure of M. Caillaux's 4 per cent. gold loan last fall. The failure cannot be blamed on lack of confidence in the stability of the franc, for it was based on gold.

How substantial this opposition to the debt agreement is may be judged from the fact that on July 11, French veterans of the war held a parade as a gesture of protest. In spite of the refusal of the American volunteers to the French army (men who joined before the United States entered the war) who told the French veterans that such a parade would be an insult to the United States, the maimed and the blind as well as the fairly able bodied marched to the statue of Washington in Paris and laid at the foot a marble tablet containing a respectful protest.

BRITAIN GIVES FRANCE GUARANTEES

What the French want from the United States, it is believed, are terms similar to those included in their agreement with the British, signed on July 13. At the time of writing the details of this settlement were not available, but, it was said to include: A clause providing for the reconsideration of the whole agreement, if France's ability to pay should be reduced by default of Germany in payment of reparations; a clause providing for delays in payment, if such payment would injure franc exchange; and a guarantee that the debt will not be commercialized and passed on to any third party.

For the United States to add a clause similar to the first would be to invite Britain to ask for a similar clause. Then if Germany did fail to make the payments contemplated by the Dawes Plan, the United States would be left to do the "clean up" work, and to bear this loss. This would naturally be unacceptable.

The second clause it seems could reasonably be included in the agreement with France. Certainly the United States does not want to exact payments from France if they would throw a wrench into the exchange machinery. This is of course assuming that French exchange is stabilized, as there now seems some hope it will be. It would be only reasonable to invest the funds collected, in France until they can be transferred. It is almost certain that the United States would do this without a clause in the funding agreement, but if the insertion of the clause will remove some of the bitterness of the French, there seems to be no good reason why it should not be included. It would probably necessitate the appointment of a transfer commission, and it is to be expected that France would pay the expense of the administration of this commission. This would not in any way impair the collection of the debt, but would rather facilitate it.

The commission of eight bankers, three business men, and two economists, which was appointed last month to draw up a plan to "save the franc" has made its report.

The summary of the plan as given in the *New York Times* gave three objectives: First, perfect balancing of the budget; second, relief of the treasury; third, stability of the national money. To accomplish these there must be:

1. Improvement of the taxation system so as to give a quicker and larger return and to provide about 4,000,000,000 francs in new revenue.

2. Energetic compression of state expenditure.

3. Cessation of the system of advances from the Bank of France to the state to cover new expenditure, that is, no further inflation.

4. A gradual reduction of the advances of the bank to the state, so as to strengthen the bank note cover.

5. Relief of the treasury by the reorganization of a large part of the floating debt and its administration by a separate sinking fund.

6. Voluntary effort at the consolidation of the short term national defense and treasury bonds.

7. The realization as soon as possible, with the aid of the bank, of monetary stability.

8. Preparation for the return of capital, by obtaining credits abroad.

9. Drafting an economic policy which will prevent in some measure, the dif-

ficulties which attend the return to sound money.

In noticing briefly the appointment of this committee in these columns last month, the remark was made that "it can easily be prophesied that the commission will suggest a plan for the restoration of financial stability that is sound, but that political difficulties will interfere with its adoption." Note the similarity of this to the headline over the news about the report "Plan to save franc may be wrecked by the politicians. Remedies are considered sound, but danger is seen in the Chamber of Deputies."

It is expected that the plan will be opposed by the Socialists and radicals, for it is "socially unjust" in its demand for more taxation, which would fall upon the poor, according to them. The plan will also meet stone wall opposition from those who oppose the debt agreement, for the ratification of the agreement is an essential part of the plan. What France has lacked and still lacks is not knowledge or plans to find her way out of the maze of finance, but sufficient unity of action. Some want to go one way; some another, and until the majority can agree which way to go, plans are of little avail.

How little confidence the financial community places in the plan is evident in the fact that the franc keeps right on falling, reaching another new low. It was reported a short time before that that large French balances were being deposited in New York. So uncertain was the course of French currency that French manufacturers for a time refused to quote prices for future delivery in France, for fear of depreciation of the franc, while they were at the same time quoting future prices to foreigners in terms of gold or a stable foreign money. The jump in prices during May was unusually large, amounting to 38 points, from the 664 reported in April, to 702 at the end of May.

FIRST EXPORT BALANCE FOR NINE MONTHS

In May, for the first time in nine months, France exported more than she imported. The commission to control and reduce imports seems to be getting immediate results, for the export balance of 70,000,000 francs in May was due to reduction of imports. It is a small surplus, but is much better than the import surpluses of about ten times that amount which have been the monthly result of French foreign trade. The trade balance in France seems to depend almost entirely upon imports. The exports remain relatively constant, with fluctuations of imports causing the wide changes from an export balance of 2,000,000,000 francs in the first five months of 1925 to a similar import balance in the same period in 1926.

SOCIALISM IN ITALY

Mussolini has broken into the front pages of the newspapers again with his new economic program. Fascism, economically, is synonomous with state socialism. While defending capitalism in words, Mussolini is actually practising socialism. His latest act, which came on the heels of legislation making strikes punishable, and regulating wages, is an economy drive, which includes: Addition of one hour to the working day, to increase production; prohibition of all private building of houses of the more expensive sort for one year; prohibition of the opening of any new bars, cafes, saloons, night clubs, etc., for an indefinite period; prohibition of newspapers of over six pages; mixing all gasoline for motor cars with nationally produced alcohol.

This is an attempt by a more or less autocratic government to do what the state socialists contend all governments should do—regulate production from a central source to eliminate the wastes of the loosely organized capitalistic system. For example, in the United States, coal is shipped from Pennsylvania mines to Chicago, and other coal produced in the Illinois mines is shipped to Pennsylvania. This is plainly economic waste. Numerous magazines exist which have no economic justification. Much money is spent in producing bootleg hootch, which effort might better be spent in producing useful goods for humanity. When a new petroleum field is discovered, wells in great numbers are drilled rapidly at great expense, the result being that the pressure is taken off the field, and less oil extracted than could be if only a few of the wells were used steadily. These wastes of the capitalistic system are admitted by the proponents of the system. They hold that individual liberty to work when, where, and in the way one pleases is more important to individuals than maximum production. There is no doubt that men could produce more if they would let one man direct their labor, but they prefer to act on their own initiative.

Mussolini is going to give the latter system at least a trial. First he is going to cut down the building of expensive houses and the production of large newspapers, releasing the men for more essential production. Then he is going to have those men who do work, work an hour longer. And he may be successful. For there is no question but that he has made progress so far. He has produced a balanced budget for the first time since 1913. Unemployment has been reduced from 606,000 to less than 100,000. There is a surplus in the treasury.

The thing he is attacking by these measures, however, is the import balance, which appeared this year. By making men work longer at essential works he can at the same time reduce imports, and stimulate exports, and so remedy this.

Evidently he is not to accomplish the lengthening of hours without difficulty. The executive committee of the General Confederation of Labor says that the measure is "unnecessary, unjust, provocative of discontent and useless in improving the economic position of the country." They hold that the industrial dissatisfaction is due to other causes, and can be remedied by cutting down the earnings of industrial corporations, and economy in production. It is the same argument the miners in Britain use—that if there is to be sacrificing, it must be done by the employers, not by the employes.

FASCISTI INVOLVED IN BANK SCANDAL

The Agricultural Bank of Parma, which has been under investigation since its closing about the middle of June, has revealed a great conspiracy in the bank, and has culminated in the arrest of almost a dozen prominent politicians and business men. This arrest is said to be the first step by the Mussolini regime to clear up the corruption which is claimed by some to be widespread in Italian business life. Roberto Farinacci, who was until March of this year second only to Mussolini in the Fascist party, is blamed for allowing the condition to arise.

BRITAIN MARKS TIME

Efforts by the government and the mine owners in Great Britain have failed to settle the coal strike. Stanley Baldwin has come out for the eight hour day, and has been vigorously attacked for it. The men still refuse to consider a longer day or any reduction of wages. It looks as though the strike will be a fight to the finish. If so, the mine owners will certainly win for the simple reason that their resources are larger than the resources of the strikers.

In the meantime, some coal is being imported. The prices of imported coal are said to be prohibitive. The steel industry is able to keep up some activity by the use of gas and imported coal, but most of the mills are simply closing. Business is dull also in the textile lines. Good crops and good agricultural conditions have helped retail trade some, but wholesale trade is prostrate. Unemployment is larger, but not as much larger as might have been expected. It rose from 9.2 per cent. in April to around 15 per cent. in May, and has further increased since that time.

This choking off of production by the lack of fuel has made a considerable dent in England's foreign trade, thereby weakening her exchange position. Up to the time of the strike, the Bank of England had been accumulating gold, money was easy, sterling was strong, and there was considerable talk of a reduction of the discount rate. But the lack of exports has already weakened sterling and tightened the money market enough to stop talk of the reduction. If exports continue to drop, it is only a matter of time until gold will begin to be exported. Even so, if the strike were settled and there were some hope of business revival, it is believed that the bank would lower the rate to help business. Until then, reduction is futile.

Newspaper reports say that the offerings of new loans in London are running high. This is contradicted by actual figures, which show a marked decline from the £28,367,583 in January of this year to the £10,887,531 in May. Even so, the flotations for the first five months of 1926 were larger than in the first five months of 1925.

The market has absorbed most of the loans offered, until the recent offering of a £6,000,000 loan of the Commonwealth of Australia 5s at 99½. It was only about half subscribed. This should for a time silence the complaints which were heard earlier in the year when an Australian loan was floated in the United States. It was the first loan failure for several months.

CO-OPERATIVES TAKE UP INSTALMENT SELLING

Instalment selling is causing concern in Britain, too. The co-operative societies, or "mutuality clubs" organized to save money for workers by co-operative buying, are taking it up. The London *Economist* says that the co-operatives have a number of canvassers or collectors calling on the women whose husbands are members of the co-operative societies. The canvasser sells the housewife a "club book," for which she is to pay one pound sterling, in twenty weekly payments of one shilling each. After two payments have been made, the book may be used to purchase goods to the value of one pound, and the other payments made as agreed at the time of purchase of the book.

One co-operative society which tried this plan found that it increased its annual sales from £210,866 to £488,129, without appreciably decreasing the cash sales. In fact, cash sales showed their normal increase under this plan as before. The losses have been negligible, amounting in two years to less than .05 per cent. The only cost is for the collectors and canvassers, and the society says that considering the great increase in the volume of sales, this cost is spread over so many units of goods that it is hardly noticeable.

Thus it has been a benefit in England as well as in the United States. But there, as here, thoughtful people are somewhat alarmed. There is good reason, for the purpose of the mutuality clubs is to encourage the wise and careful spending of the domestic income. They were organized to eliminate the costs and profits of the retailer. Few will argue that buying beyond one's means is wise and careful spending of income. Yet that is what instalment buying is, of necessity—buying more than one can afford at the present time. It is particularly bad when the buying is of consumption goods, which cannot be repossessed in case of default, and which produce nothing for the buyer, as most purchases from the mutuality clubs do. Furthermore, selling on credit is bound to increase costs. The increase may be small, but it is an increase, and the clubs are formed to keep costs down. It is a distinct departure from the policies of the clubs, and should be carefully watched.

NO EXPROPRIATION OF PRINCES

Though the bare result of the referendum on the appropriation of the property of the German princes was reported in last month's issue, it is believed that the subject deserves more attention, for the question of whether the lands should be appropriated or not aroused more feeling in Germany than any question since the Dawes Plan.

When the princes asked to have their property returned the trouble began. If the property was not to be returned, they asked for compensation. But bondholders and mortgagees had seen their claims cut to about 12½ per cent., and they objected, naturally, to the payment of the claims of the Hohenzollern's at 100 per cent. as it was once proposed to do. The bondholders had saved the money which they had lost; the princes merely inherited theirs. The bondholders were workers and producers; the princes mostly parasites on society. Thus, if any claims were to be paid in full, it should be those of the former class rather than the latter.

There is much justice in this claim. Yet the danger in appropriating the whole property of the princes without compensation was apparent. It was a blow against the institution of private property. That is why it was championed so vigorously by the Socialists and Communists. Once appropriation was sanctioned in this way, would there not be a demand next for the appropriation of the property of the rich, and then that of all classes. Take away the princes' property, by all means, but give them in return some compensation for it. This was the real ground for the opposition, and the fight raged so bitterly that it was a contributing cause to the wreck of the Luther cabinet reported last month.

Marx, succeeding Luther as Chancellor, refused to risk his political life by acting as a judge in this dispute. He said, "The people must settle it for themselves," and fixed a date for a national referendum on the question. The referendum law in Germany requires that a majority of the qualified voters must vote in favor of any reform to make it valid. It was necessary to get 20,000,000 votes in favor of expropriation. Those opposed to expropriation knew this, and stayed away from the polls in large numbers. Only about 15,000,000 votes were cast in all. Of these, only about 600,000 were against the measure.

It would have had a better chance of success if it had not been so radical. If some provision had been made for the pensioning of the princes, or some other payment, so they could live in reasonable comfort (for most of them have never been trained to earn their own living) it would not have seemed so much like "grabbing" property from someone who is powerless to resist.

The defeat of expropriation does not end the dispute. It merely discards one way of settling it. What is to be done with the property yet remains to be decided. The Socialists still refuse to consent to any measure which will return

the property intact. They insist that the government should get at least a small slice of the cake. Legislation on the question, except for a bill prohibiting the courts from ruling on the claims of the ex-rulers, has been impossible. Marx worked out a bill, but withdrew it hurriedly on the third reading when he saw it was acceptable to neither party, and would merely result in a vote of lack of confidence. The course open to the Hohenzollern's is that taken by the princes of some of the states—private negotiations with the state for a settlement. This might take the question out of politics and settle it.

LITTTLE IMPROVEMENT REPORTED

Money still continues very easy in Berlin. Call loans have fallen as low as 2 and 3 per cent. The Reichsbank has reduced its rate again (July 6) from 6½ per cent. to 6 per cent., again evidencing its eagerness to give trade a boost. All that has happened from all this is that the German banks have been encouraged to come into the capital issues market. They are reported to have bid against Dillon, Read & Co., in June for a bond issue of the United Steel Works Company, a German corporation similar to the United States Steel Corporation. This is said to be the first time since the war that American and German bankers have competed for a bond issue.

Business is still dull, with increasing unemployment. The only sign of life is in the steel trade, where production is increasing. Exports, which have been declining since March, were still further reduced according to the May returns. The export balance was only 27,000,000 marks. Unless this trend is reversed, it may not be as easy as anticipated to make the first cash transfer under the Dawes Plan in September.

PRIZE FOR BANK NOTE DESIGN

The Reichsbank has been having a good deal of trouble with counterfeit notes. In the effort to stop counterfeiting, it is going to entirely change the present notes. The new notes will be works of art, as well as mediums of exchange. The bank has offered 25,000 marks in prizes for the best designs for the new notes. Designs may be submitted until October, when a committee will meet and choose the design to be used.

PILSUDSKI HAS NO PROGRAM

Outside of keeping himself before the public eye, Pilsudski has accomplished little since he had himself given dictatorial powers. He has proposed many measures, but has not been able to get any of them passed.

He wants a bill passed to eliminate the great number of small political parties in Poland. In every election there are a great number of candidates who have no hope of being elected, but who enter for the opportunity it gives them to spread propaganda, and cause unrest. There are twenty-two political parties represented in the Sejm (the Polish legislative body) alone. This also makes elections very expensive. Pilsudski's bill would stop this by imposing a fine on every candidate in any election who receives less than 1000 votes. This, says a newspaper paragrapher, might be called a modified Pole tax.

What Pilsudski is more interested in is his bill creating a "privy council" of experts to have charge of the administration of the government until January of next year. If he could get this bill passed, and then get the Sejm to adjourn, the way would be open for him to make some reforms. The Sejm has pretended to consider these bills, but has delayed them as long as possible. There were rumors that the Marshal's mind was failing, when he instituted strict military control the first of July, but these were unfounded. But it is true that he is being disregarded by the very government that he created. He has no plan of reform, for the conditions that he charged were due to corruption, were due to natural causes. Since more stable conditions, there has been some improvement in business in Poland. Conditions are by no means good yet.

BUSINESS IN SCANDINAVIA

Improvement is evident in the electrical and chemical industries in Sweden. The iron trade is still much depressed, and unemployment is still general. The country has not yet recovered from the discouraging effect of the general strike in England on trade.

The Danish krone has been moving slowly upward again, and the Premier is reported to have announced that Denmark will be back on the gold standard by 1927. If this can be done, it will probably help to lift Denmark out of the deep depression into which she has been thrown by the deflation. The steady decline of prices which comes with deflation has pressed down like a leaden weight on commerce and industry. Imports have been cut to the lowest figures in several years. Industries are stopped or running on part time, commerce is stagnant, and there is much unemployment. Agriculture is the only industry that shows any signs of life. The farmers have a good crop, but they are short of cash, and the returns from the crop exports are not coming in as fast as could be desired. In the effort to make easier money, the discount rate has been reduced from 5½ to 5 per cent., but like all artificial efforts to make easy money in a tight market, it has no effect. There is too great a shortage of capital in Denmark to make money easy by simply reducing the rate.

LEAGUE TAKES HANDS OFF AUSTRIA AND HUNGARY

The financial control which the League of Nations has exercised over Austria and Hungary through the respective commissioners, Alfred Zimmerman of Holland, and Jeremiah Smith, Jr., of Boston, was discontinued on July 1, when both commissioners returned to their homes. The league, however, has retained the right to assume control again whenever it deems that conditions within the countries need it.

Under these men both countries, which were in bad shape from the ravages of war, and from the separation of a former empire into two parts, have stabilized their currencies, balanced their budgets, and got back onto a fairly sound financial foundation.

Mr. Smith created a good deal of comment when he refused to accept the check for $60,000 tendered him as salary for his two years' work as Commissioner of Hungary. It was returned to the government which has announced that the money will be used as a fund to send Austrian students to college in the United States, much as the Boxer Indemnity Fund sends Chinese students to college in the United States.

JAPAN TO REPAIR BANKING SYSTEM

Japan, whose banking system is based on the law of 1872, which in turn is based on the National Bank Act of the United States, has realized that her system is not up to date, and has appointed a preliminary committee of investigation to see what can be done to improve it.

The national banks in Japan have no note issue power, that having been taken away from them when the Bank of Japan was created in 1882. In other ways they are similar to the national banks of the United States. In addition to the national banks, there are savings banks, which operate under the law of 1921. They are forbidden to advance more than 20 per cent. of their funds on any one security; to loan more than 10 per cent. of their capital and surplus to one individual; and to invest more than the amount of their capital and surplus in loans against real estate mortgages.

There are also in Japan: Mutual loan societies operating among the middle and lower classes; about 200 city credit associations or peoples' banks; and numerous trust companies. The trust companies' status is not clearly defined in Japanese law, which gives them considerable freedom of operation. Thus, though they only appeared in 1906 their growth has been so rapid that they have aroused some opposition from the regular banking interests.

Finally there are several banks created by special acts of the Diet: The Yokohama Specie Bank, organized in 1880 to finance the foreign trade of the country; the Hypothec Bank of Japan, organized in 1897 to provide long term loans against real estate; the Industrial Bank of Japan, created to finance industry and trade; and various agricultural and industrial banks to furnish long term loans against real estate.

This loosely knit organization has grown up with practically no supervision. There is no unifying and restraining force, and one consequence is that there are too many banks, and the government is encouraging, and in some places, forcing mergers. Only about a 1½ per cent. reserve against deposits is kept with the Bank of Japan, which is supposed to be the bank of issue and discount, by the member banks. The Bank of Japan cannot control the banks through control of the money market, for the restrictions on note issues are so confining that no discount market has been built up. The banks invest most of their reserve in call loans against securities instead of in commercial paper. The Bank of Japan may issue notes against commercial bills only to the amount of 120,000,000 yen, which is a very small margin for such large seasonal demands as are felt in Japan with the silk movement in the late summer and fall. Additional notes are taxed at 5 per cent., which almost prohibits them.

The job of the commission then is to unify the banking system and bring it under some regulatory authority; to make provision for the development of a discount market; to create an elastic currency; and to give the Bank of Japan some control over the money market. Some of the commissioners are already in the United States studying the Federal Reserve System, and it is a safe bet that the new or revised system will follow the general idea of the Federal Reserve.

PLETHORA OF MONEY IN INDIA

Absorbing half the gold output of the world for a year was too much for India. It has eaten more gold than it can digest. Perhaps, also hoarding is ceasing and people are beginning to put their money in banks and invest it. Anyway, there is a tremendous surplus of capital there. Industrial production has been increased temporarily beyond the capacity of the country's markets, so no new money is needed for further extensions, and there is a "famine of new investments." A recent loan of 10,000,000 rupees with a 5½ per cent. coupon and priced at 97 was eighty times oversubscribed.

Another index is the lowering of the bank rate on June 10 from 5 per cent. to 4 per cent. Indian securities are being shipped from London to Calcutta to fill the demand for capital investments, and if the flow continues long enough a real market may be developed in India for her own securities. The government is also planning to issue 250,000,000 rupees of 4 per cent. bonds at 88 for several railway extensions which are to be made. If there were only a security distributing organization in India, it would be the country to float a bond issue now.

SPOTTY BUSINESS IN SOUTH AMERICA

Argentina enjoyed some further slow improvement of business in June. The volume of exports is fairly good, imports are declining and exchange is relatively stable. Cattle sales are in good volume, but the hide market is weak, though there have been heavy purchases by Russia. Altogether the condition is far from satisfactory.

In Chile the depression in all lines of business continues. Buying is very cautious, credits are restricted, and collections are slower than in May. A heavy storm raged all along the coast about the middle of June and had a bad effect on retail trade. The retailers are also complaining that the non-payment of government employes is cutting into their business.

ECUADOR HAS NEW CENTRAL BANK

Ecuador, which went through a financial crisis a few months ago, has set up a central bank of issue by presidential decree. The bank is located in Quito, and will have exclusive rights to issue, exchange, and withdraw notes. A gold and silver fund will be established to guarantee the notes, and, in addition, 50 per cent. of all export duties are to be transferred to the fund, to guarantee future issues of notes. The very sketchy account of the work of the bank which is available does not indicate that it is organized on a very sound basis, or that it will be very effective in preventing future financial crises. It seems to be intended as a sort of reserve bank, for the dispatch says "it will embrace all banks of issue subject to fiscalization by the state."

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CONDITIONS IN CANADA SHOW IMPROVEMENT FOR FIRST HALF OF 1926

THE first half of 1926 has been marked by a continued moderate improvement in industrial and general business conditions in Canada. With generally satisfactory crop prospects it is anticipated that this improvement will continue. There is no indication of financial strain in the current situation although increased industrial activity has been reflected in some enlargement of the current loans by the banks. Savings deposits are, however, still about $400,000,000 in excess of commercial advances. While in the United States there seems to be some uncertainty as to the future, because of big industrial production and extensive credit-merchandising, there is no evidence of such conditions in Canada nor likelihood of overproduction if crops live up to their present indications and sustain buying power throughout the country.

THE POLITICAL UPHEAVAL

The political upheaval, in which two national governments have met defeat within a few days and as the result of which a new election has been forced on the country, is having much less effect on the business situation than might have been antipicated. As a matter of fact, such has been the situation at the capital since the last federal election that a state of political checkmate has existed, and the nation's business has been transacted with the greatest difficulty. This has been due to the fact that the balance of power has been held by the Progressive party, represented largely by Western agriculturists. Legislation other than that dictated by this third party has been practically neglected. So unsatisfactory conditions became, from the standpoint of the business community as well as a large proportion of the public, that the crisis has been accepted with relief because it is felt that nothing could be worse than the situation which has existed. It will be the general hope that the election in the fall will result in the return of a government strong enough to put its policies into effect. Business and financial interests will generally support the Conservative party on its tariff policy but would rather see a Liberal government strong enough to carry on the country's affairs, than a return to the situation which has existed.

BUSINESS RECOVERY

Business has largely recovered from the disturbing tariff announcements brought down in the federal budget earlier in the year. The tariff reductions were aimed chiefly at the automobile industry but the modifications in favor of cheap, moderate-priced, Canadian-made cars and the reduction in the excise tax, have largely remedied the situation. That the defeat of a government which had shown an unfriendly attitude toward protection was received with satisfaction industrially was indicated by investment buying of textile and steel securities.

One of the factors for improvement in the business situation in recent months has been the larger building and construction programs throughout the country. In this better conditions agriculturally, industrial expansion to take care of enlarged buying power, and public improvements, have played their part. In Canada recovery from the slump which followed the post-war period of inflation has been slow. Capital expenditures by corporations and public bodies were reduced to the minimum. Particularly since last year's satisfactory crop there has been a change. Moderately, and even cautiously, expansion programs in industry are being put into effect and municipalities are going on with construction programs for delayed public improvements. Based on figures for the first six months, the indications are that 1926 will be the largest building year that Canada has had in more than a decade. There is no evidence as yet that building has caught up to normal requirements.

What has been said in the preceding paragraph about industrial conditions does not refer to the pulp and paper industry or to the development of hydro-electric power.

DEVELOPMENT OF HYDRO-ELECTRIC POWER IN CANADA

As regards power development—and in many cases it goes hand in hand with paper manufacturing projects—significance is attached to the recent visit of a group of thirty-five financiers from New York, Boston, Philadelphia and other leading American business centers to view the various enterprises being carried out in the Province of Quebec. In this connection it may be pointed out that back in 1900 under 200,000 hydro-electric horse power has been installed in Canada; by 1910 the total had risen to five times this, by 1915 the total had grown to 2,100,000 h.p., and by 1920 there had been an increase to 2,500,000 h.p. By the end of 1925 the total installation had reached 4,290,000 h.p. Of the present total over 750,000 h.p. is utilized by pulp and paper mills which are by far the largest single customer of the hydro-electric industry. Expansion is continuing on this same scale. The Aluminum Company of America will generate 800,000 h.p.; British Columbia Electric is bringing up its installed capacity to 700,000 h.p.; the Duke-Price Power Co., is increasing to 540,000 h.p., and the Hydro-Electric Power Commission of Ontario has plans for much greater capacity. A recent estimate of the Water Power Branch of the Federal Department of the Interior places the probable hydro power installation in this country by the year 1945 at well over 8,000,000 h.p. which leads to the conclusion that something like $1,300,000,000 of new money will be required in these huge undertakings.

CAR LOADINGS AND RAILWAY EARNINGS

Car loadings of merchandise on the Canadian railways have reached the highest point for some years. They rose steadily during the first half of 1926 and June showed an average of more than 17,000 cars for each of the four weeks of the month. The steady increase during the first half year is similar to the 1924 movement, but the June peak is considerably higher. Railway earnings have seldom been better. Business mortality has declined both in number and amount of liabilities. Fabricated iron and steel trade is fairly well maintained but this cannot be said of the steel producing plants. The steel industry of Nova Scotia is seriously depressed but this is the result of conditions prevailing over a period rather than of the time being. On July 1 the British Empire Steel Corporation failed to meet bond interest. This company controls the Dominion Iron & Steel Corporation, the

Dominion Coal Company and the Nova Scotia Steel & Coal Company, Ltd., as well as a number of other concerns including the Eastern Car Company, Halifax Shipyards, Ltd., etc. It is expected that a reorganization will take place and that all the securities of the British Empire Steel Corporation, with the exception of the first mortgage bonds, will be reduced. The capitalization is over $150,000,000. Reorganization will require additional capital for working purposes. In order to secure this it is felt that there should be some assurance from the government of more adequate protection. The tariff affecting the company's products has been based on volume rather than on price with the result that the margin of protection has narrowed and in some cases almost disappeared with the rising scale in prices.

FOREIGN TRADE EXPANSION

Foreign trade of Canada continues to expand. For the last twelve months the favorable balance was $364,000,000 showing an increase of about 33 per cent. over the previous year. However, there has recently been a gain in manufactured imports, particularly products of iron, and an increase in exports of raw material which is not regarded as satisfactory from the economic standpoint. This exportation of raw materials and importation of finished products is submitted as an explanation of why the country's population is not increasing. At present there is little unemployment but against this are the figures indicating that many unemployed have left the country.

INTERNATIONAL BANKING NOTES

THE annual report of the Bank of Adelaide, Adelaide, South Australia, for the year ending March 29, 1926, presented at the sixtieth annual meeting of the shareholders showed net profit, including recoveries, and after making provision for bad and doubtful debts, interest accrued on fixed deposits, and rebate on bills discounted, and deducting expenses at head office and sixty-one branches, including salaries, rents, taxes, etc., of £104,733. Adding to this the balance of £27,740 brought forward from previous year makes a total amount of £132,474 available for distribution. Out of this 10 per cent. dividends were declared, amounting to £87,500. Twenty thousand pounds was transferred to reserve fund, making it total £800,000, and the balance of £24,974 was carried forward to next account.

The total resources of the bank, as of March 29, 1926, were £8,693,327.

NET profit of the Imperial Bank of Persia, Teheran, Persia, for the year ending March 20, 1926, after deducting expenses of management, royalty and general charges in London at chief office and branches, and after making provision for income tax and bad and doubtful debts, amounted to £129,401. Adding the balance of £34,565 brought forward from last year makes a balance of £163,967 available for distribution. This amount has been disposed of as follows:

	£
To interim dividend at 4s. per share, paid December 22, 1925 (free of income tax)	20,000
Transferred to reserve account	50,000
Transferred to bank premises account	30,000
To proposed dividend at 6s. per share (free of income tax)	30,000
Brought forward to next account	33,967

Total resources of the Imperial Bank of Persia as of March 20, 1926, amounted to £9,682,404.

THE statement of affairs of the Imperial Bank of India, as of May 7, 1926, showed public deposits of rs. 10,53,86,000, and other deposits of rs. 72,40,05,000. Cash credits of the bank as of that date were rs. 29,61,18,000, and cash on hand amounted to rs. 24,05,04,000. The bank has a paid up capital of rs. 5,62,50,000, a reserve of 4,82,50,000, and total resources of rs. 94,67,88,000.

BANCO De Italia Y Rio De La Plata, Buenos Aires, has completed arrangements for the purchase of all the stock of the Banco Italo Sudamericano, of that city, and will merge the Banco Italo Sudamericano with it. Both are Italian banks. The merger is very favorably regarded in Buenos Aires.

THE interim dividend of the Ionian Bank Limited, London, paid on June 1, 1926, was at the rate of 6 per cent. (or three shillings per share), the same rate as was paid last year.

HONDURAS, which has hitherto been on a silver basis, has passed a law making gold the standard money there. The new gold "lempira" will replace the present silver "peso." By the law establishing the gold standard, the circulation of foreign currencies in Honduras is forbidden, the only legal tender being the currencies of Honduras and the United States.

W. J. F. WILLIAMSON, of London, who was for twenty years financial advisor to the Government of Siam, has been appointed financial advisor to the Estonian Government, on the recommendation of a committee of the League of Nations which investigated conditions in Estonia some time ago. One of the reforms which Mr. Williamson is expected to accomplish is the amalgamating of the note issues (which are made now by both the Bank of Estonia and the government) under one central authority, preferably the Bank of Estonia.

BARCLAYS Bank (Dominion, Colonial and Overseas), London, reports total resources as of June 30, 1926, of $1,698,778,402, as compared with $1,668,849,860 on the same date last year. Current deposit and other accounts increased from $1,494,736,350 last year, to $1,521,237,304; and the reserve fund increased $5,000,000 to $46,250,000.

Investments in government and other securities declined to $269,777,477, from last year's total of $292,761,278, but advances to customers and other accounts increased from $748,015,165 to $777,833,020. The capital of the bank is $77,961,860. For convenience of calculation, one pound has been considered as equivalent to $5 in this report.

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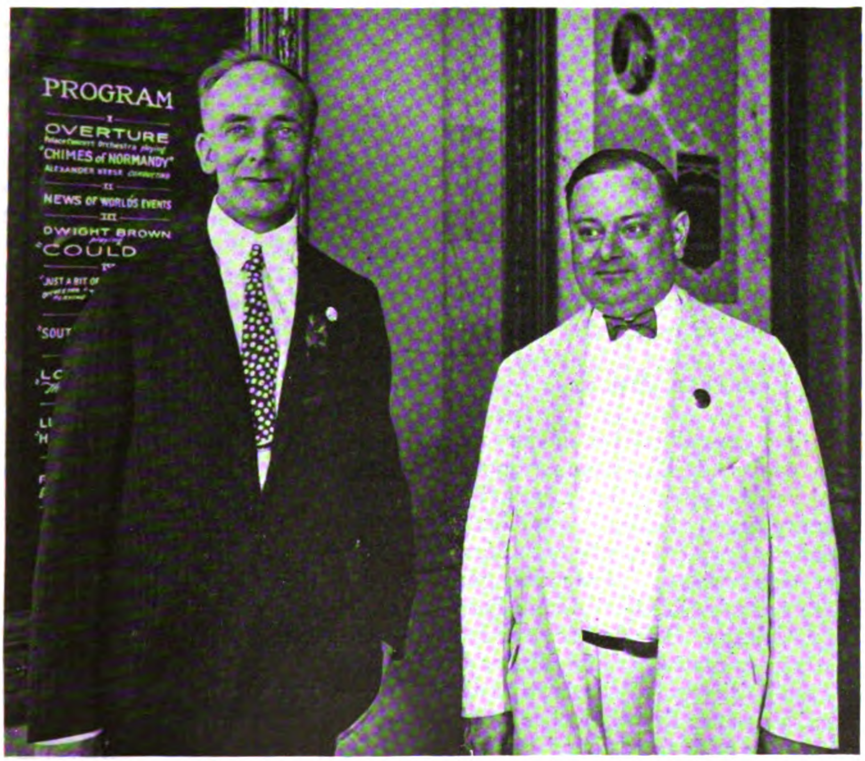
More than 1000 delegates to the American Institute of Banking Convention assembled in general session at the Palace Theater, Dallas, Texas.

DALLAS A. I. B. CONVENTION SPLENDIDLY ATTENDED—REPORTS SHOW SUBSTANTIAL GROWTH

By Ira F. Reed

THE twenty-fourth annual convention of the American Institute of Banking, which assembled in Dallas, Texas, July 12 to 16, was one of particular interest, not only to those attending, but to the banking fraternity at large.

The convention, due to the wisdom and diligence of W. J. Evans, of the Federal Reserve Bank of Dallas, one of the retiring members of the executive council, and his loyal supporters of the Dallas Chapter, proved the most successfully planned convention ever held. To avoid the delay in hotel registrations and assignment of rooms, as has previously taken practically all the first day, representatives of Dallas Chapter met all the special trains at points from 100 to 150 miles distant and assigned



Paul B. Detwiler (at right) assistant cashier Philadelphia-Girard National Bank, Philadelphia, newly elected president of the American Institute of Banking, and P. R. Williams, vice-president Commercial National Bank, Los Angeles, Calif., new vice-president of the institute.

rooms so that on arrival after being conveyed to the hotels by chapter guest cars, in less than one hour every delegate had possession of his or her room, leaving the afternoon open for the splendid entertainment also very systematically planned.

The delegates nearly all arrived on time, some coming by special trains, some by automobile. Captain Herbert Fox assistant cashier of the American National Bank of Nashville Bank of Nashville, Tenn., and president of Nashville Chapter, had the distinction of being the first delegate to arrive. He saw his chapter leave Nashville by special train, and unable to leave with them, left eighteen hours later by air and arrived in Dallas twelve hours ahead of the delegation, making the 800 mile trip, averaging over 100 miles an hour.

After lunch and registration on Monday, the delegates were treated to an automobile ride over the city, visiting several of the beautiful parks of Dallas, and were all taken through the large textile mills, and to Love Field, where a number of the delegates took flights and where many daring air stunts were performed. The delegates were then returned to the city, and assembled at the fairgrounds for an evening of pleasure well planned. A splendid program was rendered followed by a ball.

GENERAL SESSIONS

The first general session of the convention convened Tuesday morning in the Palace Theater. After a period of community singing led by Roy Williams of Oklahoma, evidencing the enthusiasm of the delegates, the convention was called to order by President Bruce Baird of New Orleans. Then came greetings from a representative of the Mayor of Dallas, and delivery of the keys to the city, and assurance that the police would only interfere with those found not having a good time. Vice-president Paul B. Detwiler, responded to the greetings, and expressed great appreciation for the opportunity of meeting in Dallas, and for the splendid arrangements made by the city for the carrying on of the convention. Many communications were then read from many places wishing the organization well, and always expressing regrets at not being present.

Then Bruce Baird, president of the institute and vice-president of the New Orleans Bank and Trust Company gave his annual address. Mr. Baird said:

"The institute today is larger, its educational program broader, the scope of its activities wider, and its organization more compact than ever before. The credit for this splendid showing is not due to any particular person, but this result is due to the fact that the members of the institute as a body are willing to give their unselfish efforts to the creating of a higher standard of efficiency in the banking profession for the benefit of their fellow men.

"The institute continues to show a healthy growth in membership, and during the last year, through the excellent work of its membership committee, an increase of 2200 has been made in membership, the total at this time being 57,456. Due to the earnest endeavors of our executive councilmen seventeen new chapters have been organized, bringing the total to 186, and sixteen study groups have been formed, giving us a total of twenty-five. At this time practically every large city in the United States has a chapter in the institute and we must now bend our efforts toward the education of the bank employe in the smaller cities, towns, and rural districts, which means that more and more of these study groups must be formed so that the bank employe in the sparsely populated district will be given the same opportunities for education as those in the larger cities now enjoy.

OVER 35,000 ENROLLMENT DURING LAST SESSION

"The work of the class enrollment committee during the last year has been particularly gratifying, as it shows an increase in our student body of over

5000 and means that 35,210 persons enrolled in the standard and special courses of the chapters during the last session. The class work has been placed on a higher plane through chapters demanding certain qualifications before permitting pupils to enroll. This system of qualifying should be practiced more and more because it proves an incentive for pupils to take the elementary work in order to qualify for advanced courses. It also gives the instructor a well balanced class and enables him to immediately concentrate on the subject.

"A great deal of credit must be given to the national chairmen and the committees for the efficient and constructive work accomplished. In each instance their reports show splendid progress. Suffice for me to say that during the year talks on public education were made to 300,992 persons and 268 talks were made over the radio—that ninety excursions, attended by 6351 people, were made to industrial plants—that 433 women now have institute certificates—that seven additional chapters have taken up public speaking and debate work—that sixty-seven chapters held forum meetings—and that the results of the earnest work of the departmental conference committee will be enjoyed by you during the next three days.

"The executive council, feeling that the local chapter should have some means of showing that they belong to a national organization, voted at its spring meeting to have suitable charters engraved, showing the date of organization of the chapter, the name of the national organization, and authority of chapter to function under the by-laws of the national body. These charters have now been distributed with the request that they be placed in a prominent place in the local headquarters.

"At the A. B. A. Convention held last October at Atlantic City, Lewis E. Pierson, of New York, proposed that a fund of $500,000 be raised to commemorate its fiftieth anniversary, and suggested that this fund be used for economic research work in the study of problems for the good of the banking profession. The executive council of the institute realizing that we are the educational section of the A. B. A., immediately voted to pledge an approximate

Bruce Baird, vice-president New Orleans Bank and Trust Company, and retiring president of the A. I. B., receiving his welcome and badge on arrival at the convention from Miss Marguerite Smythe of the Dallas chapter.

amount of $25,000, and asked the local chapters to collect contributions from the membership in dollar or half dollar denominations. A majority of the chapters heartily approved of this move, pledged and collected their quotas, and more, and it is my pleasure to announce that the full amount of $25,000 has been paid to the endowment trustees and additional subscriptions are being received. The credit for this splendid accomplishment goes to those chapters who have either filled their quotas or a part thereof, and special mention should be made of our vice-president, Mr. Detwiler, for his untiring efforts as chairman of this committee, and to the local committees, for collecting the funds.

"Probably the outstanding accomplishment of the year has been the creating of an advanced educational course, to be known as the graduate course, and a plan for a new Board of Regents which will dovetail into it. These new features will be explained fully in our educational director's report.

"During the last year the A. B. A. has honored the institute by placing its president on the administrative committee, which means that our representative sits with a group of about fifteen men composed of the president, vice-presidents, and chairmen of several sections, of the A. B. A., to discuss and pass on policies, resolutions and other important matters before they are presented to the executive council of the A. B. A. This recognition proves conclusively that the parent body appreciates the efforts of the institute is putting forth for the education and training of the bank employe."

In the absence of Oscar Wells, president of the American Bankers Association, Nathan Adams, president of the American Exchange National Bank of Dallas, and of the official staff of the American Bankers Association, gave a very interesting address. He emphasized the great work of the institute in developing young men for higher places in the banking fraternity, and the connection between the American Institute of Banking and its parent organization, the American Bankers Association.

MILLER OUTLINES PLANS FOR GRADUATE WORK

Dean Miller of the institute made a very interesting report on his phase of the work of the institute, announcing a new text book for use the coming year on the subject "Standard Economics." He also announced and told of the work being done on graduate courses. These are courses of a higher nature than those previously given, and will enable the graduates in the standard courses to continue to go forward by taking up additional work in the higher courses, which is so planned that when completed it will entitle those completing to a higher type of certificate or diploma. He stated it was unfair to leave a student at time of receiving the standard certificate, a time at which he has just well learned how to study, with nothing further to do, and often resulting in losing him from the chapter. The plan now is to continue to give him constructive work so that he may continue in the chapter work. He also commented very highly on the results obtained in raising the standard of the work in nearly all chapters by doing not less than forty-two hours work in each course, each year. He further commented on the highly favorable results obtained by conducting intensive courses in several of the subjects in certain chapters. By this is meant the holding of two classes per week instead of the usual one class, and thus dividing the year into a first and second semester, much the same as is done in the colleges of the country.

He also announced the preparation by the institute of an outline for the much desired "Trust Functions" course. This is probably one of the most desired courses at this time, and expressed great satisfaction at the showing of improvement in class mortality, due to students starting the work and dropping out, which has been one of the vital problems for years. He attributed this success largely to the increased standards of perfection in the various courses, to the cooperation of chapter presidents in following up the work, and particularly to the intensive plan of study above mentioned, and stated that about 100 of the chapters would change to the intensive plan during the coming year.

National secretary, Richard W. Hill, read before the convention a proposed amendment to By-law No. 8, providing for nominations of more than one candidate for offices, with a view to discovering the best material possible for the various offices and committees. The amendment carried by unanimous vote of the convention.

Mr. Hill reported twenty-three new chapters organized, and that the total membership is now 57,456, being an increase of 2232 over last year's membership, and that 1151 standard certificates were issued during the year, and that

The newly elected women's committee of the A. I. B.

2671 preparatory certificates had been issued since the Kansas City convention, making a total of 13,234 preparatory certificates issued.

ADDRESS OF THE DAY

One of the most interesting features of the program was the address by Dr. John L. Davis, pastor of the Grade Methodist Episcopal Church of New York. His subject, "The Dimensions of Life" was discussed in a very able and inspirational manner, and the valuable thoughts expressed by him, together with his flow of wit and humor held the close attention of the convention and brought generous applause.

The chairmen of the various national committees then made reports, all indicating work of the highest degree of efficiency, and evidencing the most hearty co-operation in the work during the year.

The report of Miss Ellen O'Donnell, Rochester, N. Y., chairman of the women's committee was of great interest, as it showed 8782 women are now members of the A. I. B., being an increase over last year of 1044 and being nearly one-half of the total increase of the chapter.

ELECTIONS

At Friday's session, Paul B. Detwiler, assistant cashier of the Philadelphia-Girard National Bank, was elected president. He had served as vice-president last year.

P. R. Williams, vice-president of the Commercial National Bank of Los Angeles, Calif., was elected vice-president of the institute.

The following were elected to the executive council: Harold G. Welch, assistant trust officer, New Haven Bank, New Haven, Conn.; W. B. Thurston, Jr., assistant secretary, Baltimore Trust Company, Baltimore, Md.; Charles D. Hayward, assistant cashier, First National Bank, Kansas City, Mo.; and Thomas J. Nugent, assistant vice-president First National Bank, Chicago, Ill.

DEPARTMENT CONFERENCES

As has been the case in previous years, the department conferences, proved to be the meat of the convention. We commend the officers of the organization in most high terms for the splendid judgment exercised in the selection of department conference leaders, as there was probably the strongest set of leaders possible, all profiting by the experiences of past conventions. The conferences were attended by nearly every delegate, and delegates were constantly heard expressing regrets that they could not attend each of the conferences going at the same time. In turn, one cannot speak too highly of the judgment and tact shown by the department leaders in the selection of speakers, all of whom were men of high standing in the particular branches of work discussed by them. Every speaker was unusually well prepared and held the attention of his conference throughout his address. After each address, the open discussions were entered into with a spirit not even anticipated by those most interested in the convention, and as the allotted time for each conference came to an end, the regret of necessity for adjournment could be easily read on the faces of the delegates.

Space does not permit a discussion of the merits of the many addresses and to make special comment that would indicate even in small measure the success of the discussions of the various banking subjects, but below is given the list of leaders, speakers and subjects. The writer would suggest that every bank employe, for his or her own good, request from the national secretary of the A. I. B., Richard Hill, 110 East Forty-second street, New York, a copy of the proceedings of the convention which will contain all the addresses and discussions of all the conferences. This should be done without delay, as only a limited number of copies will be printed.

THURSDAY, JULY 15, 1926

CHAPTER PRESIDENTS CONFERENCE

George A. Gunn, chairman Chapter Presidents Conference Committee, the Exchange National Bank, Tulsa, Oklahoma, presiding.

Preparation for Institute Responsibility

Peter C. Jansen, Manufacturers and Traders National Bank, Buffalo, New York.

Discussion

Institute Education

Stephen I. Miller, National Educational Director, American Institute of Banking.

Discussion

Chapter Finance

E. G. Pomeroy, Security Trust & Savings Bank, Los Angeles, California.

Albert L. Taylor, National Bank of Tacoma, Tacoma, Washington.

Discussion

CHAPTER PUBLICITY CONFERENCE

Nelson M. McKernan, chairman Publicity Committee, Irving Bank-Columbia Trust Company, New York, N. Y., presiding.

What and Why to Advertise

Frank C. Wood, Staples & Staples, Inc., Richmond, Virginia.

Publicity for Small Chapters

A. M. Johnson, Yakima Valley Bank, Yakima, Washington.

Publicity for Large Chapters

Louis E. Walter, executive secretary, St. Louis Chapter, A. I. B., St. Louis, Missouri.

Effective Use of Chapter Papers

John L. Clark, editor of the *Dallas Divident,* Dallas, Texas.

Breaking into the Newspapers

John H. Horst, Central Savings Bank, Baltimore, Maryland.

General Discussion.

PUBLIC EDUCATION CONFERENCE

Russell G. Smith, chairman Public Education Committee, Bank of Italy, San Francisco, California, presiding.

A Review of the Year's Work

Russell G. Smith, Bank of Italy, San Francisco, California.

Organizing for an Effective Campaign

Walter Gerwin, Western Bank and

Trust Company, Cincinnati, Ohio.
Public Education through the Schools
John V. Bacigalupi, Bank of Italy, San Francisco, California.
Public Education among Business and Civic Organizations
J. S. Puelicher, Marshall and Ilsley Bank, Milwaukee, Wisconsin.
Radio an Important Field of the Work
George W. Wright, Bowery Savings Bank, New York, N. Y.
An Opportunity for Public Service
Stephen I. Miller, National Educational Director, American Institute of Banking.

PUBLIC SPEAKING AND DEBATE CONFERENCE

P. S. Kingsbury, chairman Public Speaking and Debate Committee, the Cleveland Trust Company, Cleveland, Ohio, presiding.
The Southeast in Public Speaking and Debate
J. M. Rountree, First National Bank, Tampa, Florida.
What the Pacific Coast Chapters Want
A. M. Johnson, Yakima Valley Bank, Yakima, Washington.
The Place of Public Speaking Contests in Interchapter Activities
Mark Bartlett, Hibernia Bank and Trust Company, New Orleans, Louisiana.
M. S. Sampson, Mercantile State Bank, Minneapolis, Minnesota.
What Consideration Should Be Made in Case of Forfeits
C L. Varnum, Iowa Loan and Trust Company, Des Moines, Iowa.
Revamping of Paragraph Five of the National Rules in Order to Eliminate Chance Selections
H. W. Scott, Bank of North America and Trust Company, Philadelphia, Pennsylvania.
E. L. Pierce, The National City Bank, New York, N. Y.

CONFERENCE OF WOMEN DELEGATES

Ellen M. O'Donnell, chairman Women's Committee, Union Trust Company, Rochester, New York, presiding.

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Call to Order
The chairman
Greetings on Behalf of Texas Bank Women
Jessie Bridges, member of National Women's Committee and of Houston Chapter, Houston, Texas.
Response
The chairman
Greetings on Behalf of Convention Committee
Mrs. Veda D. Richards, member of Convention Committee and chairman Women's Committee, Dallas Chapter.
Response
Kathryn Kimmel, Yakima Chapter, Yakima, Washington.
Remarks
Bruce Baird, president American Institute of Banking.
Address—Some Ideas
Marguerite McClenaghan, Princeton Bank and Trust Company, Princeton, New Jersey.
Remarks
Paul B. Detwiler, vice-president American Institute of Banking.
Address
Mary E. Gearing, Department of Home Economics, University of Texas, Austin, Texas.
Business and election.
12.30 to 4.30 p. m.

DEPARTMENTAL CONFERENCES

Audits and Accounting
Led by George R. Kingdon, assistant cashier, the First National Bank, Los Angeles, California.
Desirability of Uniform Expense Accounting Classifications
By C. R. Smelser, auditor, the First Trust and Savings Bank, Akron, Ohio.
Expense Accounting by Functional Divisions
By David J. Olsen, First National Bank, Philadelphia, Pennsylvania.
Establishment of Central Interchange Bureau
By Harrol R. Smith, cashier Bank of America, Los Angeles, California.
Bank Administration

Led by Edward F. LeBreton, assistant vice-president Hibernia Bank and Trust Company, New Orleans, Louisiana.

Internal Versus External Audits

By Ralph W. Bowen, vice-president Rhode Island Hospital Trust Company, Providence, Rhode Island.

Investing the. Assets and Maintaining the Liquidity of a Bank

By E. V. Krick, cashier and treasurer, Mercantile Trust Company of California, San Francisco, California.

The Unprofitable Customer

By Dale Graham, advertising manager, Mississippi Valley Trust Company, St. Louis, Missouri.

Business Development and Advertising

Led by Frank M. Totten, assistant cashier, the Chase National Bank, New York, N. Y.

Trust Publicity

By Clinton F. Berry, assistant vice-president Union Trust Company, Detroit, Michigan.

Methods of Approach to New Business Prospects

By Alfred E. Schneider, assistant manager department of new accounts, the American-Exchange Pacific National Bank, New York, N. Y.

Growth by Helping Others Grow

By A. M. Johnson, assistant cashier Yakima Valley Bank, Yakima, Washington.

Checks and Collections

Led by S. Young Tyree, assistant cashier State-Planters Bank and Trust Company, Richmond, Virginia.

Operating the City and Out-of-Town Collection Departments

By Phil. L. Peterson, manager collection department, Exchange National Bank, Spokane, Washington.

Transit and Collection Department Routings

By Robert H. Matson, assistant cashier Union and Planters Bank and Trust Company, Memphis, Tennessee.

Basis of Fixing Exchange Charges

By Henry Lachenauer, manager transit department Fidelity Union Trust Company, Newark, New Jersey.

Handling the Collection of Automobile Finance Notes

By F. E. Musgrove, assistant secretary Illinois Merchants Trust Company, Chicago, Illinois.

Credits

Led by Hugh C. Gruwell, manager credit department the United States National Bank, Portland, Oregon.

Interchange of Credit Information

By Paul Angell, assistant cashier the First National Bank, Birmingham, Alabama.

Analyzing the Financial Statement in Comparison with Typical Industry Figures

By Colman Mockler, manager credit department Mercantile Trust Company, St. Louis, Missouri.

The Co-operative Association as a Credit Risk

By G. L. Woolley, secretary-treasurer Louisiana Farm Bureau, Cotton Growers Co-operative Association, Shreveport, Louisana.

Investments and Investment Banking

Led by Charles B. Engle, assistant manager bond department the International Trust Company, Denver, Colorado.

Public Utility Holding Company Obligations

By James V. Lawyer, sales manager Peirce, Fair & Company, San Francisco, California.

Finance Company Obligations

By Frank J. Maurice, vice-president Highland Park State Bank, Highland Park, Michigan.

The Investment Outlook

By Dr. J. Anderson Fitzgerald, dean-elect The School of Business Administration, The University of Texas, Austin, Texas.

Savings Banking

Led by Roy R. Marquardt, assistant cashier First Trust and Savings Bank, Chicago, Illinois.

The Field of the Mutual Savings Bank

By Orrin C. Lester, assistant vice-president Bowery Savings Bank, New York, N. Y.

Savings Interest Rates
By Herbert G. Wood, cashier Highland Park State Bank, Highland Park, Michigan.
Real Estate Mortgages
By Hermann Buhl, manager real estate loan department American National Bank, Denver, Colorado.
Trust Functions
Led by Robert Mayer, assi tant trust officer Provident Trust Company, Philadelphia, Pennsylvania.
Funded and Unfunded Insurance Trusts —Revocable or Irrevocable—Some Legal and Tax Aspects
By Earl I. Vaughan, assi tant trus: officer Fidelity National Bark and Trust Company, Kansas City, M'ssouri.
Transfer and Registration of Stock
By David P. Condon, registrar the Farmers' Loan and Trust Company, New York, N. Y.
Review of the Conference
By Robert Mayer, a:s:stant tru t officer Provident Trust Company, Philadelphia, Pennsylvania.

AUDITS AND ACCOUNTING

Led by George R. Kingdon, assistant cashier the First National Bank, Los Angeles, California.
Tuesday, July 13—12.30 to 4.30 p. m.
How Much Auditing?
By G. Fred Berger, treasurer, Norristown-Penn Trust Company, Norristown, Pennsylvania.
Audit of Foreign Department
By Christian Djorup, C.P.A., consulting accountant, 120 Broadway, New York, N. Y.
Forum
a. Telegraphic transfers.
b. Money shipments.
c. Negotiable securities shipments.
Conducted by William B. Applegate, Illinois Merchants Trust Company, Chicago, Illinois.
Wednesday, July 14—8.00 a. m. to 12.00 noon.
Accounting and Audit of Accrual Accounts
By Charles R. Harding, assistant cashier the West Coast National Bank, Portland, Oregon.
Comptroller and Auditor—A Comparison of Their Duties.
By J. H. Cole, comptroller Central National Bank, Cleveland, Ohio.
A Digest of Various Methods of Computing the Cost of Carrying Accounts
By George W. Porter, branch auditor, Houston Branch, Federal Reserve Bank of Dallas, Houston, Texas.
Thursday, July 15—12.30 to 4.30 p. m.
Desirability of Uniform Expense Accounting Classifications
By C. R. Smelser, auditor the First Trust and Savings Bank, Akron, Ohio.
Expense Accounting by Functional Divisions
By David J. Olsen, First National Bank, Philadelphia, Pennsylvania.
Establishment of Central Interchange Bureau
By Harrol R. Smith, cashier Bank of America, Los Angeles, California.

BANK ADMINISTRATION

Led by Edward F. LeBreton, assistant vice-president Hibernia Bank and Trust Company, New Orleans, Louisiana.
Tuesday, July 13—12.30 to 4.30 p. m.
Bank Organization
By Louis C. George, assistant cashier Fifth-Third National Bank, Cincinnati,, Ohio.
Developing the Force
By A. C. Keck, assistant cashier First National Bank, Chicago, Illinois.
The Comptroller—His Place in the Bank's Organization
By Paul B. Kent, assistant manager American branch, California Bank, Los Angeles, California.
Personnel and Job Analysis
By Robert J. Hargreaves, manager personnel department Federal Reserve Bank, Chicago, Illinois.
Wednesday, July 14—8.00 a. m. to 12.00 noon.
Handling the Country Correspondent
By John E. Owens, vice-president Re

public National Bank, Dallas, Texas.

Building and Loan Associations and Banks

By J. Bickley Jackson, manager cash collection department, the Philadelphia-Girard National Bank, Philadelphia, Pennsylvania.

Bank Budgeting

By Nelson M. McKernan, Irving Bank-Columbia Trust Company, New York, N. Y.

Thursday, July 15—12.30 to 4.30 p. m.

Internal Versus External Audits

By Ralph W. Bowen, vice-president Rhode Island Hospital Trust Company, Providence, Rhode Island.

Investing the Assets and Maintaining the Liquidity of a Bank

By E. V. Krick, cashier and treasurer Mercantile Trust Company of California, San Francisco, California.

The Unprofitable Customer

By Dale Graham, advertising manager Mississippi Valley Trust Company, St. Louis, Missouri.

BUSINESS DEVELOPMENT AND ADVERTISING

Led by Frank M. Totton, assistant cashier the Chase National Bank, New York, N. Y.

Tuesday, July 13—12.30 to 4.30 p. m

The Bank Employe as a Business Getter

By Robert J. Campbell, vice-president Fidelity National Bank and Trust Company, Kansas City, Missouri.

Newspaper Advertising—Does It Pay?

By Harry E. Gail, advertising manager the Toledo Trust Company, Toledo, Ohio.

Community Advertising for a Bank

By Wallace J. Parham, Jr., cashier Merchants Bank, Mobile, Alabama.

Personal Solicitation—How to Build a Clientele

By J. M. Rountree, assistant vice-president the First National Bank, Tampa, Florida.

Wednesday, July 14—8.00 a. m. to 12.00 noon.

Better Letters Mean Better Banking

By Waldo J. Marra, correspondence director Bank of Italy, San Francisco, California.

New Business Contests

By Thomas J. Kiphart, manager publicity department Fifth-Third National Bank, the Union Trust Company, Cincinnati, Ohio.

Getting Deposits by Co-operation

By Mark Bartlett, assistant advertising manager, Hibernia Bank and Trust Company, New Orleans, Louisiana.

Thursday, July 15—12.30 to 4.30 p. m

Trust Publicity

By Clinton F. Berry, assistant vice-president Union Trust Company, Detroit, Michigan.

Methods of Approach to New Business Prospects

By Alfred E. Schneider, assistant manager department of new accounts the American Exchange-Pacific National Bank, New York, N. Y.

Growth by Helping Others Grow

By A. M. Johnson, assistant cashier Yakima Valley Bank, Yakima, Washington.

CHECKS AND COLLECTIONS

Led by S. Young Tyree, assistant cashier State-Planters Bank and Trust Company, Richmond, Virginia.

Tuesday, July 13—12.30 to 4.30 p. m

Operating a Transit Department

By Harry Bischoff, manager transit department First National Bank, St. Louis, Missouri.

Transit Department Follow-ups

By R. R. Reece, manager transit department Commerce Trust Company, Kansas City, Missouri.

Handling the Cash Collection

By J. Bickley Jackson, manager cash collection department, the Philadelphia-Girard National Bank, Philadelphia, Pennsylvania.

Wednesday, July 14—8.00 a. m. to 12.00 noon.

Advantages and Disadvantages of Federal Reserve Banks as Agents for the Collection of Checks

By A. W. Kearns, manager transit department the First National Bank, Denver, Colorado.

The Uniform Size Check

By Dan A. Schryver, vice-president the Citizens Trust and Savings Bank, Columbus, Ohio.

Interbranch Check Clearings

By R. J. Barbieri, assistant cashier Bank of Italy, San Francisco, California.

Analysis of Accounts of Correspondent Banks

By E. D. Rapier, Whitney-Central Trust and Savings Bank, New Orleans, Louisiana.

Thursday, July 15—12.30 to 4.30 p. m.

Operating the City and Out-of-Town Collection Departments

By Phil. L. Peterson, manager collection department Exchange National Bank, Spokane, Washington.

Transit and Collection Department Routings

By Robert H. Matson, assistant cashier Union and Planters Bank and Trust Company, Memphis, Tennessee.

Basis of Fixing Exchange Charges

By Henry Lachenauer, manager transit department Fidelity Union Trust Company, Newark, New Jersey.

Handling the Collection of Automobile Finance Notes

By F. E. Musgrove, assistant secretary Illinois Merchants Trust Company, Chicago, Illinois.

CREDITS

Led by Huch C. Gruwell, manager credit department the United States National Bank, Portland, Oregon.

Tuesday, July 13—12.30 to 4.30 p. m

Credit Insurance and Its Relation to Banking

By J. F. McFadden, president American Credit Indemnity Company, New York, N. Y.

Danger Signals to Observe in Extending Credit

By C. A. Rude, vice-president the Citizens National Bank, Los Angeles, California.

Warehouse Receipts—Collateral or No Collateral

By H. S. Yohe, in charge, Administration United States Warehouse Act, United States Department of Agriculture, Washington, D. C.

Wednesday, July 14—8.00 a. m. to 12.00 noon.

Problems of the Branch Bank Credit Grantor

By A. Warren Anderson, assistant secretary, the Marine Trust Company, Buffalo, New York.

Analyzing the Finance Company's Balance Sheet

By William Feick, assistant vice-president Irving Bank-Columbia Trust Company, New York, N. Y.

The Extension of Credit to Country Banks

By Earl B. Schwulst, manager loan department Federal Reserve Bank, Dallas, Texas.

Question Box

J. S. Jones, assistant vice-president, the Northwestern National Bank, Portland, Oregon.

Thursday, July 15—12.30 to 4.30 p. m.

Interchange of Credit Information

By Paul Angell, assistant cashier the First National Bank, Birmingham, Alabama.

Analyzing the Financial Statement in Comparison with Typical Industry Figures

By Colman Mockler, manager credit department Mercantile Trust Company, St. Louis, Missouri.

The Co-operative Association as a Credit Risk

By G. L. Woolley, secretary-treasurer Louisana Farm Bureau, Cotton Growers Co-operative Association, Shreveport, Louisana.

FOREIGN TRADE AND FOREIGN EXCHANGE

Led by F. V. Forrestal, assistant manager foreign department, the Farmers' Loan and Trust Company, New York, N. Y.

Tuesday, July 13—12.30 to 4.30 p. m.

Commercial Credits on Acceptance Financing

By Edward M. Andel, Bankers Trust Company, New York, N. Y.

Financing Foreign Shipment of Cotton and Grain by Use of Domestic Acceptances

By J. C. Salvant, manager discount department Canal Bank and Trust Company, New Orleans, Louisiana.

Forum—General Phases of Foreign Work

Conducted by F. V. Forrestal, assistant manager foreign department, the Farmers' Loan and Trust Company, New York, N. Y.

INVESTMENTS AND INVESTMENT BANKING

Led by Charles B. Engle, assistant manager bond department the International Trust Company, Denver, Colorado.

Tuesday, July 13—12.30 to 4.30 p. m.

Should Banking Institutions Have Bond Departments?

Affirmative

By George M. Thompson, Fidelity National Bank and Trust Company, Kansas City, Missouri.

Negative

By John T. Hanefy, Frederick Peirce and Company, Rochester, New York.

The Advantages of a Separate Corporation for the Sale of Securities

By Sam N. Foster, the United States National Company, Denver, Colorado.

The Organization and Development of a Bond Department in the Smaller Cities

By Jim McLellan, cashier the Merchants and Planters Bank, Pine Bluff, Arkansas.

Wednesday, July 14—8.00 a. m. to 12.00 noon.

The Proper Relationship between the Bond Department and the Other Departments of a Bank

By James J. O'Connor, assistant cashier Harris Trust and Savings Bank, Chicago, Illinois.

Guaranteed Mortgages

By Herman A. Feldmann, Mackubin, Goodrich and Company, Baltimore, Maryland.

Real Estate Appraisals

By Ira F. Reed, vice-president Guardian Trust Company, Houston, Texas.

Question Box

Thursday, July 15—12.30 to 4.30 p. m.

Public Utility Holding Company Obligations

By James V. Lawyer, sales manager, Peirce, Fair and Company, San Francisco, California.

Finance Company Obligations

By Frank J. Maurice, vice-president Highland Park State Bank, Highland Park, Michigan.

The Investment Outlook

By Dr. J. Anderson Fitzgerald, dean-elect the School of Business Administration, the University of Texas, Austin, Texas.

SAVINGS BANKING

Led by Roy R. Marquardt, assistant cashier First Trust and Savings Bank, Chicago, Illinois.

Tuesday, July 13—12.30 to 4.30 p. m.

Analysis of the Savings Market

By William J. Doherty, directors plan and research department Albert Frank and Company, Chicago, Illinois.

The Growth and Significance of Time Deposits

By W. Espey Albig, deputy manager savings bank division, American Bankers Association, New York, N. Y.

Instalment Buying and Its Effect on Savings Banks

By Nathan Adams, president American Exchange National Bank, Dallas, Texas.

Wednesday, July 14—8.00 a. m. to 12.00 noon.

The Savings Bank and the Community

By Dale Graham, advertising manager Mississippi Valley Trust Company, St. Louis, Missouri.

Bringing Them In

By George S. F. Bartlett, Boston Five Cent Savings Bank, Boston, Massachusetts.

The 1926 Savings Bank

By Frank E. Donnelly, Monroe County Savings Bank, Rochester, New York.

Are Christmas Savings Accounts Profitable?

By Samuel I. Jay, manager savings department Hibernia Bank and Trust Company, New Orleans, Louisiana.

Thursday, July 15—12.30 to 4.30 p. m.

The Field of the Mutual Savings Bank

By Orrin C. Lester, assistant vice-president Bowery Savings Bank, New York, N. Y.

Savings Interest Rates

By Herbert G. Wood, cashier Highland Park State Bank, Highland Park, Michigan.

Real Estate Mortgages

By Hermann Buhl, manager real estate loan department American National Bank, Denver, Colorado.

TRUST FUNCTIONS

Led by Robert Mayer, assistant trust officer Provident Trust Company, Philadelphia, Pennsylvania.

Tuesday, July 13—12.30 to 4.30 p. m

Fundamentals of Trust Department Operations—Individual Trusts

By Carl W. Ullman, assistant trust officer the Dollar Savings and Trust Company, Youngstown, Ohio.

Outline of Essential Records of a Trust Department

By Henry Verdelin, assistant secretary Minneapolis Trust Company, Minneapolis, Minnesota.

Best Methods of Dealing with Trust Investments—Analysis and Checking

By Norman R. Morison, vice-president and trust officer Southern Trust and Commerce Bank, San Diego, Calif.

Wednesday, July 14—8.00 a. m. to 12.00 noon.

Obtaining Trust Clients and Retaining Their Business

By Frank R. Curda, trust officer Standard Trust and Savings Bank, Chicago, Illinois.

Training the Trust Staff

By E. J. Risley, vice-president and trust officer Bankers Trust Company, Little Rock, Arkansas.

Question Box

William H. A. Johnson, assistant secretary Continental and Commercial Trust and Savings Bank, Chicago, Illinois.

Thursday, July 15—12.30 to 4.30 p. m.

Funded and Unfunded Insurance Trusts—Revocable or Irrevocable—Some Legal and Tax Aspects.

By Earl I. Vaughan, assistant trust officer Fidelity National Bank and Trust Company, Kansas City, Missouri.

Transfer and Registration of Stock

By David P. Condon, registrar the Farmers' Loan and Trust Company, New York, N. Y.

Review of the Conference

By Robert Mayer, assistant trust officer Provident Trust Company, Philadelphia, Pennsylvania.

ANNUAL CONVENTION DEBATE

Question: Resolved, That the Federal Reserve Bank should not be prohibited from engaging in open market transactions.

New Orleans chapter upheld the affirmative and Detroit the negative. Both sides handled the subject very ably and the arguments were highly instructive. The decision resulted in a victory two to one for Detroit chapter.

THE RODEO

The western style of entertainment, and hospitality of the West and South, which was portrayed throughout the convention, was climaxed by the rodeo entertainment, which of necessity is a product of the West. The eastern and western delegates were held almost breathless as the cowboy girls and boys, "busted" the bucking horses, "bull-dogged" the steers and "lassoed" everything that was tried, besides giving a wonderful demonstration in trick riding.

BASE BALL

Among other interesting features was the base ball game staged between the Republic National Bank and the Mercantile National Bank, both of Dallas, resulting in a victory for the Mercantile Bank.

CLOSING FEATURES

After the rodeo, the delegates were given a swim in the fine pool in the fairgrounds and were treated to a sumptuous box supper of fried chicken and other home products of Dallas, and then attended a vaudeville show, solely of A. I. B. talent from the various chapters. Every act was performed with professional skill, and the crowd was reluctant in leaving at the close, indicating the success of the show. Then a feast was enjoyed in one of the fair buildings at which watermelons galore were served, and the boast of the quality of Texas watermelons, for which Texas is so famous, is no longer disputed by any of the delegates.

GRAND BALL

The closing of the convention by a double header ball, at the Baker and Adolphus hotels, climaxed the many other enjoyable features of the convention, and everybody left Dallas commenting on the big time they had had, the hospitality of the Dallas Chapter, and of Dallas, and one of the most frequent comments was on the splendid hotel accommodations, at rates less than advertised and less than expected, and no doubt, judging from the comments on W. J. Evans' ability to plan conventions, the delegates would like to have an opportunity to vote for him for president of the United States, as he certainly won the love of and a place in the heart of every banker present.

The following chairmen of the national committees of the A. I. B. for the coming year have been appointed:

Chapter presidents' conference committee, Chester L. Hogan, Farmers and Merchants National Bank, Los Angeles, Calif.

Department conference committee, Austin W. Davis, First National Bank, Philadelphia, Penn.

Forum committee, Sam N. Foster, United States National Company, Denver, Colo.

Membership committee, W. B. Cayce, Fort Worth National Bank, Fort Worth, Texas.

Public affairs committee, Paul Angell, First National Bank, Birmingham, Alabama.

Public education committee, Russell G. Smith, Bank of Italy, San Francisco, Calif.

Publicity committee, Zack Wood, Union Trust Company, Little Rock, Arkansas.

Public speaking and debate committee, John H. Horst, Central Savings Bank, Baltimore, Md.

Women's committee, Miss Adelia H. Hampel, W. B. Worthen Company, bankers, Little Rock, Ark.

Transportation committee, Harry F. Manor, Ohio Savings Bank and Trust Company, Toledo, Ohio.

Program committee, P. R. Williams, Commercial National Trust and Savings Bank, Los Angeles, Calif.

The next convention of the American Institute of Banking will be held in Detroit, Mich.

INTERNATIONAL BANKING NOTES

[Continued from page 227]

THE statement of the Royal Bank of Canada, Montreal, as of May 31, 1926, shows cash on hand of $34,028,621, notes of and checks on other banks $53,885,810, government and municipal securities $99,060,348, call loans on stocks and bonds $77,983,566. Loans and discounts amounted to $359,252,279, and deposits totalled $586,632,991. Total assets of the bank as of that date amounted to $732,164,454.

STABILIZATION of the currency in Austria is beginning to be evident in the bank statements. The most recent statement of the Wiener Bank-Verein, Vienna, reports the fully paid-up capital and open reserves as schillings 60,000,000, instead of as formerly 340,000,000,000 kronen. Total resources of the bank as of December 31, 1925, were schillings 336,249,510.

BANCO DE PONCE, Ponce, Porto Rico, has increased its paid-up capital from $750,000 to $1,000,000. Surplus now amounts to $237,500, and total resources are over $5,000,000.

THE FINANCIAL AND ECONOMIC SITUATION ABROAD

[Continued from page 220]

BANKS IN COLOMBIA

The Superintendent of Banks in Colombia has issued the following list of banks in Colombia, which may interest some American bankers:

Bogota:
- Banco de la Republica.
- Banco de Bogota.
- Banco de Colombia.
- Banco Central.
- Banco de Londres y America del Sud.
- The Royal Bank of Canada.
- Banco Hipotecario de Colombia.
- Banco Prendario Municipal.
- Banco Frances e Italiano para la America del Sud.
- Commercial Bank of Spanish America (Ltd.).
- Banco Hipotecario de Bogota.
- Banco Agricola Hipotecario.

Barranquilla:
- Banco Commercial de Barranquilla.

Bucaramanga:
- Banco de Santander.

Cali:
- Banco Hipotecario del Pacifico.

Cartagena:
- Banco de Bolivar.

Ibague:
- Banco Social del Tolima.

Jerico:
- Banco de Jerico.

Manizales:
- Banco del Ruiz.
- Banco de Caldas.

Medellin:
- Banco Republicano.
- Banco Aleman Antioqueno.

Pamplona:
- Banco de Pamplona.

Popayan:
- Banco del Estado.

Rionegro:
- Banco de Oriente.

Salamina:
- Banco de Salamina.

San Gil:
- Banco de San Gil.

Sincelejo:
- Banco Nacional de Sabanas.

Sonson:
- Nuevo Banco de Sonson.

Tunja:
- Banco de Boyaca.

HOW BANKS ARE ADVERTISING

THE program committee of the 1926 National Convention of the Financial Advertisers' Association to be held in Detroit September 20, 21, 22 and 23, has announced a number of speakers of national prominence who are scheduled to address the convention.

Among the speakers who will appear before those attending the convention are John D. Jones, vice-president and director of sales and advertising of the Alexander Hamilton Institute and a nationally known authority on salesmanship and sales management; Paul T. Cherington, director of research of the J. Walter Thompson Advertising Agency and formerly professor of marketing in Harvard University, who is one of the country's leading authorities on the relation of market analysis to advertising campaigns and the author of a number of highly valuable books on advertising; Dr. W. F. Gephart, vice-president of the First National Bank in St. Louis, dean of the School of Commerce at Washington University and a widely recognized authority on economic subjects; Charles Franklin Kettering, vice-president and director of the General Motors Corporation, president and general manager of the General Motors Research Corporation and president of the Dayton Engineering Laboratories Company; Edgar A. Guest, whose verse is known from coast to coast and whose daily contribution to the *Detroit Free Press* is one of the leading features of that publication; and Ralph Parlette, humorist and author whose books and talks are well known to bankers in all parts of the country.

This year's convention marks the eleventh annual gathering of the Financial Advertisers' Association, an organization that has been of ever increasing importance in

An advertisement of the Franklin Trust Company of Philadelphia featuring the bank's Sesqui-Centennial office on the grounds of the exposition.

The distinctive frame shown in the above reproduced group of advertisements of a New York bank is being used consistently in a new trust campaign which this bank is conducting in newspapers.

the development and improvement of financial publicity. Practically all of the leading advertisers among banks, trust companies, and investment houses are members and active supporters of the Association. Every financial advertiser who is interested in receiving the benefits of the best that financial publicity has to offer in discussion of modern advertising methods used by financial institutions of all sizes will be well repaid by attending the September convention of the Financial Advertisers' Association in Detroit.

A NATIONAL billboard campaign is being undertaken by the National City Company of New York. It is the first time that an investment selling organization has undertaken a national poster campaign. The campaign calls for six colored displays, one appearing each month, between May and October on 2900 boards located along motor highways. Miniature billboards and small reproductions of the posters are on display in the company's offices in fifty leading financial centers of the country.

THE advertising of an investment banking house, in the usual course of events, seeks to inform the public regarding the securities which the firm has available for distribution to individual investors.

The investment banking house of Hornblower & Weeks, with offices in the leading cities of the country, reversing the usual order of events, has begun an extensive advertising campaign in trade and technical magazines seeking out the public as a seller of investments rather than as a buyer. The com-

A reproduction of one of the posters which the National City Company of New York is using in its national poster campaign, commented on elsewhere on this page.

pany in this campaign is advertising its preparedness to purchase entire bond issues of sizeable and sound American railroads, utilities and industrial companies.

THE Pennsylvania Trust Company of Pittsburgh, has recently published a booklet, "The Making of a Bank." The copy of the booklet written by Benjamin Page, president of the company, gives the story of the bank's founding, its growth and development and the policy for which it stands in the conduct of its business.

"NEWS AND PROGRESS" is the title of the latest volume in the "Manhattan Library of Popular Economics" series published by the Bank of the Manhattan Company, New York. The booklet contains a comprehensive and interesting story of the development of the newspaper in America and of the development of American newspaper advertising. Previous volumes of this series issued by the Bank of the Manhattan Company are entitled respectively, "The Greatest Family in the World," "The American Ways" and "Up From the Soil."

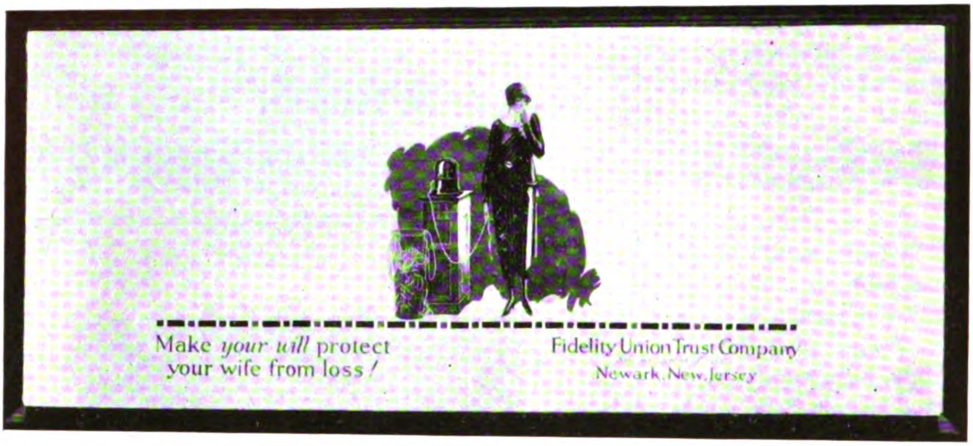
"HELPFULNESS" is the title of a folder attractively printed in colors recently published by the Corn Exchange Bank of New York.

WHO'S WHO IN BANK ADVERTISING

HARRY R. DREW

Assistant vice-president National Bank of the Republic, Chicago.

MR. DREW has been specializing in bank advertising, new business and production methods for twenty years. He was born in Joliet, Illinois, and upon leaving school entered the employ of the First National Bank of Joliet under George Woodruff, where he worked his way through the various departments to the office of assistant cashier. When Mr. Woodruff became associated with The National Bank of the Republic of Chicago, Mr. Drew joined that organization in charge of the publicity and service departments. The enterprise and energy with which Mr. Drew has directed the publicity activities of his bank have done much to make the advertising of The National Bank of the Republic very widely and favorably known.



One of the posters being used by the Fidelity Union Trust Company of Newark, N. J., in its bill board campaign which is described in the accompanying columns.

THE Fidelity Union Trust Company of Newark, N. J., has joined the ranks of the few large banks in America using billboard advertising on a wide scale. The bank has contracted for the year 1926 for four half-showings on poster boards in the Newark district, including Harrison, Kearny, the Oranges and Montclair. The Fidelity Union is using its own poster designs and is featuring its trust service in the campaign, which is under the supervision of Leopold A. Chambliss, assistant secretary and treasurer of the company.

Mr. Chambliss reports that the campaign has been unusually well accepted. "We have had a hard fight securing desirable locations," he writes. "A product selling for a small price could profitably be advertised in all sections of our territory no matter whether the residents of that section were poor or wealthy. Trust service, however, is a commodity which appeals only to people of means and many poster locations which would be valuable to a bread manufacturer are worthless for us. We have eighty-eight posters on our schedule and through the courtesy of the United Advertising Corporation we

Another example of the outdoor advertising which the Fidelity Union Trust Company of Newark, N. J. is doing.

have gradually placed the majority of these in wealthy neighborhoods. I would recommend that any bank going into poster advertising pick its locations before the first poster showing is put up.

"Our showings are in April and May, and September and October, as we feel that these are the principal outdoor months. In the middle of the summer months many of our residents have moved out-of-town to the seashore or mountains.

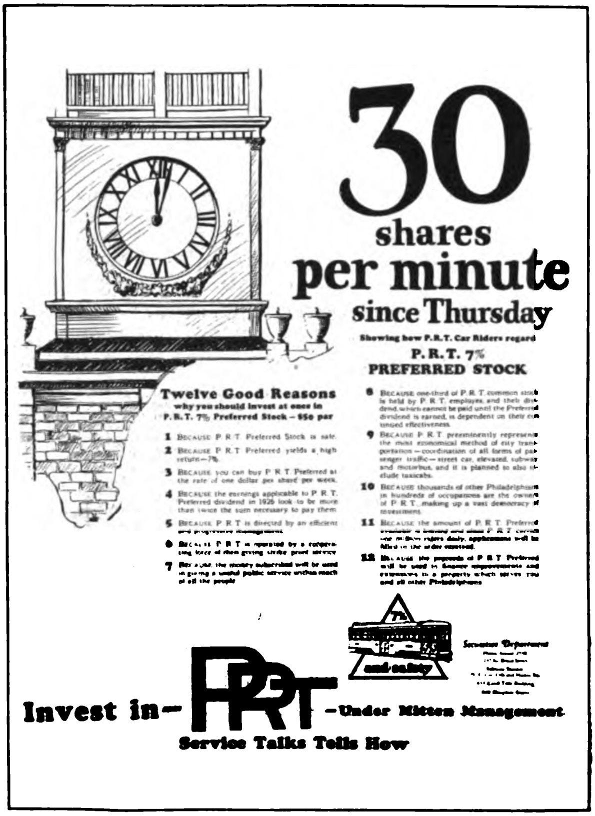
"In advertising trust service we are frankly experimenting. Poster advertising is generally thought of among banks as institutional advertising. It is an effective medium for doing what is called 'putting over the bank's name to the public,' but we have felt that we could go a step further and through the use of carefully worked out designs sell the idea of naming a trust company executor and trustee.

"It would be impossible to expect direct returns from poster advertising. We are convinced, however, that the campaign has started many people to talking about our company and our trust service, and has impressed them favorably. In an effort to check up on this, some of our officers have been asked to make it a point to question the people who call at their desks. Invariably the re-

WHO'S WHO IN BANK ADVERTISING

ETHEL B. SCULLY
Vice-president and treasurer Morris F. Fox & Co. of Milwaukee, Wis.

MISS Scully has been associated with Morris F. Fox & Co., since that organization's founding in 1914. The company's advertising, under her able direction, has been conspicuously successful and has brought her well deserved recognition among bank advertisers. Morris F. Fox & Co. was one of the pioneers in advertising of an educational nature, seeking to place before the average investor the advantages of consistent and balanced investment. The company was also a pioneer in offering a women's department to Wisconsin investors, and was the first investment house in Wisconsin to use window advertising, to which source a good proportion of new business is traced. For several years Miss Scully has been a director of the Financial Advertisers' Association, and is one of the two women who have achieved that distinction. She has for two years been the woman member of the executive board of the Associated Advertising Clubs of the World. She is the founder of the Advertising Club of Milwaukee and is a member of the investment research committee of the Financial Advertisers' Association.



One of the series of newspaper advertisements constituting part of a successful ten day campaign by the Philadelphia Rapid Transit Company to sell a $10,000,000 issue of preferred stock to Philadelphia investors and to employes of the company.

sponse has been good. Practically everybody who comes into the bank has seen one of our posters and has been pleased with it."

"A Personally Conducted Tour Through the Republic" is the title of an unusually attractive booklet recently published by the National Bank of the Republic of Chicago. The booklet, written primarily for the bank's correspondents, contains a readable and invitingly presented story of the varied services which the Republic renders its correspondents and customers. A number of excellent illustrations are included in this well printed booklet, which was prepared under the supervision of Harry R. Drew, assistant vice-president of the Republic.

An interesting example of a successful stock selling campaign through the use of extensive car card and newspaper advertising is given in the ten day campaign of the Philadelphia Rapid Transit Company which secured during this time applications from 50,000 investors and employes for more than 20,000 shares of cumulative preferred stock at $50 par, an average of ten shares a minute. The entire cost of the campaign which sold this $10,000,000 issue amounted to less than $200,000, 2 per cent. of the par value of the issue.

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.

WHAT BANKS AND BANKERS ARE DOING

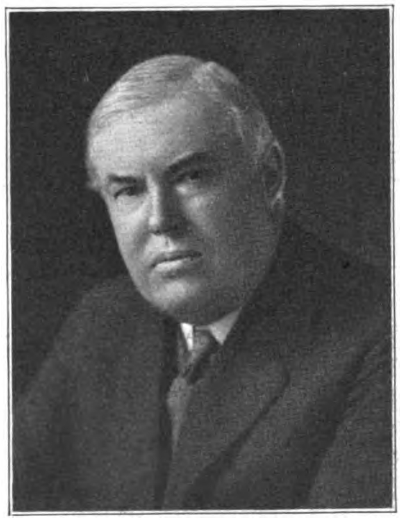
RALPH VAN VECHTEN, for many years senior vice-president and a director of the Continental and Commercial National Bank, Chicago, Ill., has resigned to become president of the State Bank of Chicago. This is regarded by Middle-Western bankers as one of the most important changes in Chicago bank personnel to occur in several years.

The announcement followed the announcement, a few days before, of the purchase by the State Bank of Chicago of the southwest corner of Monroe and La Salle streets—95 feet on Monroe, 188 feet on La Salle—from the trustees of the Marshall Field estate for $1,350,000. The old Women's Temple building, occupying the site, has been vacated by tenants and will be razed and the space occupied by a skyscraper. Tentative sketches are now being made by Graham, Anderson, Probst & White, architects.

Mr. Van Vechten assumed the presidency of the State Bank immediately upon election, causing several other changes among the higher officers of the State Bank of Chicago. Henry A. Haugan, who has been president, became chairman of the board. Two new positions were created: chairman of the executive committee, filled by Leroy A. Goddard, who was formerly chairman of the board; and vice-chairman of the board of directors, filled by Oscar H. Haugan, formerly a vice-president of the bank.

"Mr. Van Vechten's resignation was accepted with regret," said George M. Reynolds, chairman of the Continental and Commercial Banks. "We are sorry to have him leave, while at the same time we wish him every success."

"After twenty-one years of service it is hard to leave the Continental and Commercial Banks," Mr. Van Vechten said. "The Reynolds brothers and their directorate have shown me every consideration. On the other hand, I feel that the State Bank of Chicago offers a splendid opportunity for growth and development."



RALPH VAN VECHTEN
Newly appointed president of the State Bank of Chicago.

Mr. Van Vechten was born in Mattawan, Mich., in 1862. He began his banking career in Cedar Rapids, Ia., in 1880, later becoming president and chairman of the Cedar Rapids National Bank. He has been vice-president of the Continental and Commercial National Bank since 1905.

JAMES L. CONWAY has been appointed real estate officer of the Guaranty Trust Company, New York, in addition to his present office as assistant treasurer of the Fidelitas Realty Corporation, New York, a subsidiary of the trust company.

William A. McGregor has been appointed an assistant treasurer of the Guaranty Trust Company, New York, and Edward K. Brass has been appointed assistant credit manager of the same company.

FRANK K. HOUSTON, who came to the Chemical National Bank, New York, from the First National Bank in St. Louis in 1920, as a vice-president, has been elected senior vice-president.

WALTER B. CRAWFORD
Vice-president West Frankfort Bank and Trust Company, West Frankfort, Ill., who is president of the Illinois Bankers Association for the coming year.

Clifford P. Hunt, vice-president in charge of the Chemical's foreign business, is abroad visiting the London office and the bank's correspondents on the continent. He will return about the middle of August.

W. E. WILCOX, vice-president and cashier of the Anglo and London Paris National Bank, San Francisco, Calif., was elected president of the California Bankers Association at the recent convention at Del Monte, a more detailed account of which is given elsewhere in this issue. Mr. Wilcox was born and educated in England, but all his banking experience has been gained in the United States, beginning with the Home National Bank, Arkansas City, Kansas, in 1891. By 1910 he had worked up to vice-president of that bank, but resigned to take a position in the Treasury Department. He became a national bank examiner and later chief national bank examiner of the twelfth Federal Reserve District. He severed his connection with the Treasury in 1919 to take his present position as vice-president and cashier of the Anglo and London Paris, of which bank he is also a director.

The other officers of the California Bankers Association are: Vice-president, Ralph B. Hardacre, vice-president Security Trust and Savings Bank, Los Angeles; treasurer, A. H. Muller, secretary the San Francisco Bank, San Francisco; and secretary, Frederick H. Colburn, of San Francisco.

HARRY H. HAM has been elected president of the Citizens' National Bank, Boston, succeeding his brother, Guy A. Ham, deceased. Mr. Ham, who graduated from Dartmouth in 1904, served for a time in the Massachusetts House of Representatives, and then entered law practice, and is now the senior member of the law firm of Ham, Willard & Taylor. He is a director of the Canton Trust Company and the Natick Trust Company as well as of the Citizens' National Bank.

FRANZ C. KUHN, a member of the board of directors of the Union Trust Company, Cleveland, O., since 1921, died suddenly on June 16. He was a graduate of the University of Michigan, and in addition to practicing law, had served as Circuit Court Commissioner, Prosecuting Attorney, Probate Judge, Attorney General, Justice, and Chief Justice of the Supreme Court of Michigan.

FRANK L. BERRYHILL, sales manager of the First National Company, a subsidiary of the First National Bank in St. Louis, has been elected a director of the First National Company. He came to the company six years ago from the College of Business Administration of Washington University.

J. E. MONTGOMERY, president Bank of Southwestern Oregon, Marshfield, Ore., has been elected president of the Oregon Bankers Association for the ensuing year. Keith Powell, president Bank of Woodburn and First National Bank of Woodburn, was elected vice-president; J. F. Hutchinson, cashier First National Bank, Union, treasurer; and Andrew Miller, of Portland, secretary.

A. V. CHAMBERLIN, vice-president American Trust Company, Coeur d'Alene, Idaho, has been elected president of the Idaho Bankers Association for the ensuing year. The other officers of the association are: Vice-president, Walter F. Hansen, assistant cashier First National Bank of Idaho, Boise; treasurer, L. C. Collins, cashier First National Bank, Blackfoot; and secretary, J. S. St. Clair, vice-president Boise City National Bank, Boise.

G. W. DUVALL, president Bank of Cheraw, Cheraw, S. C., has been elected president of the South Carolina Bankers Association; James E. Peurifoy, president First National Bank of Walterboro, has been elected vice-president; and Henry S. Johnson, of Columbia, has been elected secretary.

KNUTE ANDERSON, cashier of the Union National Bank of Eau Claire, Wis., has been elected president of the Wisconsin Bankers' Association for the ensuing year. Mr. Anderson was born in Bergen, Norway, in 1882, and came to the United States with his parents at the age of 6. In 1902, after graduation from high school, he began work as a collector for the Union National Bank of Eau Claire, and has been working at the same corner in Eau Claire ever since, having worked through the various departments to his present position as cashier. He has been active in the work of the Wisconsin Bankers' Association for some years.

KNUTE ANDERSON
Cashier Union National Bank, Eau Claire, Wis., recently elected president of the Wisconsin Bankers' Association.

The other officers of the Wisconsin Bankers' Association are: Vice-president, N. T. Gill, of the State Bank of Reedsburg; treasurer, Robert K. Henry, of the Jefferson County Bank, Jefferson; and secretary, W. G. Coapman, of Milwaukee, Wis.

WILLIAM L. KAVANAGH, Herbert Turrell, and Byard W. Bennett have been elected directors of the Century Bank, New York. Mr. Kavanagh is attached to the staff of the District Attorney of New York, Mr. Turrell is treasurer of the Oxzyn Company of New York, and Mr. Bennett is secretary of the Bertrell Corporation and a vice-president of the bank.

M. G. FIELD, president National Bank of Orange, Va., has been elected president of the Virginia Bankers Association. The other officers of the association are: Vice-president, J. M. Lewis, vice-president Bank of Gloucester; secretary, W. F. Augustine, vice-president Merchants National Bank of Richmond; and treasurer, W. S. Irby, vice-president and cashier Bank of Luenburg, Kenbridge.

M. A. FLETCHER, vice-president and treasurer Fairmont Trust Company, Fairmont, W. Va., has been elected president of the West Virginia Bankers' Association for the ensuing year. The other officers of the association are: Vice-president C. M. Gohen, president First Huntington National Bank, Huntington; secretary, Joseph S. Hill, vice-president Capitol City Bank, Charleston; and treasurer, L. W. Boley, cashier Oak Hill National Bank, Oak Hill.

ALFRED C. SMITH, president of the City National Bank, Clinton, Iowa, has been elected president of the Iowa Bankers Association. The other officers of the association for the ensuing year are: Vice-president, John Sieh, cashier Farmers Trust and Savings Bank, Spencer; treasurer, F. A. Scheutz, cashier State Savings Bank, Lawler; and secretary, Frank Warner of Des Moines. The 1927 convention is to be held at Waterloo.

T. E. PERKINS has been advanced from assistant cashier to trust officer of the Liberty National Bank, New York. He is a native of Georgia, and his first experience in banking was with banks in

T. E. PERKINS
Recently appointed trust officer of the Liberty National Bank of New York.

the South. He was a public accountant for several years, and later studied law. After the war, he was District Comptroller of the United States Shipping Board in the Gulf District for three years. In 1924 he came to New York as assistant cashier of the Liberty National, from which position he recently advanced to trust officer.

J. EDWARD MCGUIRE has been elected an assistant vice-president of the Hibernia Bank and Trust Company, New O leans, La., his duties being with the out of town commercial and bank accounts. Mr. McGuire was born and reared in Atlanta, and has spent most of his business life there. He has worked with the Trust Company of Georgia, the Spool Cotton Company, Wilmer L. Moore & Co., the Georgia General Agency of the Mutual Life Insurance Company of New York, and the Southern Saw Works. Since 1920 he has been examiner of member banks of the Atlanta Federal Reserve Banks.

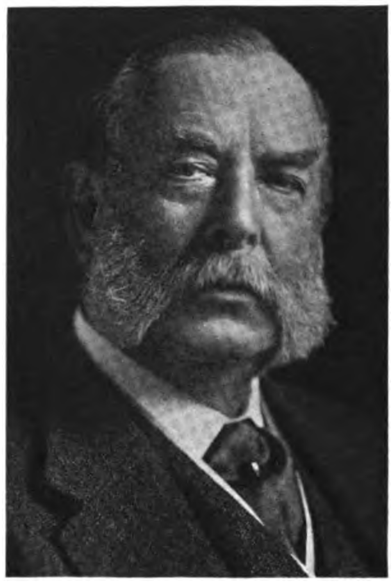
COLONEL WILLIAM H. PALMER, chairman of the board of the State-Planters Bank and Trust Company, Richmond, Va., died recently after a long life of service. He was born in 1835, and had a brilliant record as an officer in the Confederate Army. During his life he saw most of the great financial panics of the United States, and his bank came through them all safely. He was president of the City Bank, Richmond, Va., from 1890 to 1910, when the bank was merged with the State Bank of Virginia as the National State and City Bank. He headed this institution until 1920, when it was reorganized as the State and City Bank and Trust Company. He was chairman of the board of the State and City when it was merged with the Planters National Bank in March of this year, and retained that position in the new State-Planters Bank and Trust Company until his death. Although 91 he was still active and keenly interested in business, and was serving as president of the Virginia Fire and Marine Insurance Company, and as chairman of the board of the Mutual Assurance Society, in addition to his bank work.

NEW YORK STATE BANKERS CONVENTION

BUSINESS must proceed carefully in creating larger and larger units through mergers, William J. Donovan, assistant to the Attorney General, told the New York State Bankers at their convention in Quebec in June. Too many business men, he said, are merging corporations merely to control prices, which has supplanted the elimination of competition as a merger motive. It is not more justifiable than elimination of competition. The only real justification for mergers is the possibility of increased service to the public. "There is necessity of organization of effort in a society so highly industrialized as is ours. It may well be that business consolidations can be effected so as to eliminate waste of economic effort without detriment to the public."

There is danger, he said, that "those who are charged with the management of businesses in which the great bulk of the stock is held by individuals who have neither the training nor the opportunity of participating in the acivity of the business," will forget that they "owe a peculiarly high obligation to their stockholders. . . . With the undue concentration of power in the hands of a few, there is increased temptation to violate or evade those laws which were enacted for the preservation and maintenance of the competitive system."

He reminded the delegates that "it is the settled law of this country that public convenience and welfare demand that the natural lines of competition be left undisturbed and that the control of prices through combination tends to



GEORGE FISHER BAKER, LL. D.

Chairman First National Bank of New York, whom Harvard University characterized, in conferring the degree of LL. D., as "A great banker whose labors have not clogged his sensibility, whose power has not dimmed his magnanimity, whose position has not impaired his simplicity."

restraint of trade and monopoly and is an evil thing.

"If there is to be a carrying out of the expressed desire of the business man that Government be kept out of business, it is incumbent upon the business man and banker to so conduct his business that there be no necessity of the intrusion of Government into business. Good sense alone should prompt the leaders of industry to apply an economic brake to undue combination and consolidation, and particularly to those calculated to violate the competitive principle."

Frank H. Warder, superintendent of banks of the State of New York, asked the bankers to help in lessening the number of applications for new banks, stating it as his belief that the organization of so many new banks is a menace to the banking structure, and the biggest job of the supervisor's office. "There are more applications for the organization of new state banks, trust companies, savings banks, and national banks than ever before in the history of New York State," he said. "It seems there is a mania on the part of some people to get into the banking business." And yet "there are few parts of New York today that are without adequate banking facilities."

"If it were possible to assure every would-be criminal that he would be detected and punished for his crime," said Acting District Attorney Pecora, in discussing the prevention of bank robberies, "that knowledge would deter 99 out of every 100 criminals from committing crimes."

William J. Burns advocated protective measures. He said he was surprised to find how few bankers examine the protective supplement of the *Journal of the American Bankers Association*, and cited an actual instance where a fraud might have been avoided if the bank men had informed themselves by reading this supplement. "Now if the banks would agree to carry out the regulations of the American Bankers Association, it would decrease crime and reduce the excessive premiums they are now paying for insurance," he said. "It is unfortunate that many bankers when they have a depredation committed against them take very little interest in the matter because they are insured. While there is no way of telling in dollars and cents how much a bank loses in a case of this character, it certainly does not enjoy the undesirable publicity given it, which always follows in the wake of such a crime, and could be prevented, if precautionary measures were followed.

"In conclusion let me advise that where a bank keeps constantly before its employes the caution to look out for swindlers and forgers that in itself has a tendency to keep that bank free from many annoyances, both within and without the bank."

The meeting was attended by about 800 delegates. At the close of the convention, after a short political skirmish, the following officers were elected for the ensuing year: President, Carleton A. Chase, president First Trust and Deposit Company, Syracuse, N. Y.; vice-president, Gates W. McGarrah, chairman of the executive committee Chase National Bank, New York; treasurer, William McCafferty, president First National Bank of Rochester; and secretary, Edward J. Gallien.

CALIFORNIA BANKERS CONVENTION

INSTALMENT selling, the most popular of this year's convention subjects, as the taxation burden was a few years ago, engaged the attention of the California bankers at their recent convention in Del Monte.

It was John E. Barber, vice-president of the First National Bank of Los Angeles, who said that there was no need for alarm. "Although large in the aggregate," said Mr. Barber, "the sum of instalment selling is spread over all sections of the country and a great number of individual buyers and, when related to the national income of $70,000,000,000, the steadily increasing savings accounts and outstanding insurance, the high purchasing power of present wage scales, and other pertinent factors, this total does not appear unduly burdensome or likely to strain the country's ability to pay." Mr. Barber warned the delegates, however, that the practice of instalment selling must be kept within the bounds of good credit judgment if it is to be kept on a safe basis.

Harry H. Culver, president of the California Real Estate Association, asked the bankers to back the efforts of the realtors with "sympathetic interest, timely suggestions and aid, kindly constructive criticism and advice, and above all, with loyal, enthusiastic co-operation."

Edward Elliott, vice-president of the Security Savings Bank of Los Angeles, Los Angeles, on "Savings Banks and the Competition of Building and Loan Associations," pointed out how the associations "originally a strictly mutual organization for the promotion of thrift and home building" have now, in the most popular type in California become little different from "the ordinary stock corporation run strictly for profit."

A very practical address at the convention was that of Major Walter A. Tuller of Los Angeles, on the California usury law, arguing that the present law, adopted in 1918, is indefinite and uncertain. As a remedy, he suggested that the financial interests of the state draft a law to supersede and repeal the present act, and submit it to the people at the general election next November.

Speaking on "Special Purpose Accounts," H. D. Ivey, vice-president of the Citizens National Bank, Los Angeles, suggested that the savings banks should encourage people to accumulate funds for the payment of taxes, insurance premiums, mortgage payments, etc., in savings accounts instead of making small loans to meet such payments. The little loans so created eat up more expense in handling than they bring in in profits, whereas the use of savings accounts as suggested would spread the payments over the year, as recommended by accountants, and would encourage thrift, as well as increasing the savings business of the banks.

Other addresses at the convention included "The Periodical Review of Trust Securities," by Leo S. Chandler, president California Trust Company, Los

Angeles; "Comments on Recent Tax Legislation Affecting Trusts," by Vincent K. Butler, attorney Mercantile Trust Company of California, San Francisco; "Public Liability Insurance for Fiduciaries," by Louis Ferrari, vice-president Bank of Italy, San Francisco; "Trust Investments" by Paul Sin-

W. E. WILCOX

Vice-president Anglo and London Paris National Bank, San Francisco, Calif., recently elected president of the California Bankers Association.

sheimer, vice-president Mercantile Trust Company of California, San Francisco; and "Community Property Law from the Viewpoint of the Banker," by Alexander D. Keyes, president Humboldt Bank, San Francisco.

The convention was attended by about 400 delegates. The officers elected are given elsewhere in this issue.

ENLARGED QUARTERS FOR CENTRAL TRUST

THE Central Trust Company of Illinois, Chicago, has been forced by increasing business to secure larger quarters for both the bond and trust departments, at

the same time combining the corporate and personal trust departments into one trust department.

GREENWICH SAVINGS BANK, NEW YORK

THE third oldest mutual savings institution in New York, the Greenwich Savings Bank, which was organized in 1833, on July 1, 1926, celebrated its ninety-third anniversary. The bank was originally founded by merchants in the Greenwich Village section of New York, from which it takes its name. As its depositors moved northward, the bank moved with them. Since 1924 it has been located at Sixth avenue and Thirty-sixth street, in a building, designed by York & Sawyer, the banking room of which Royal Cortissoz, the art critic, says is, "one of the most beautiful in the world." A photograph of the building is included in the department devoted to "Examples of Recent Bank Building Operations."

Shortly after its organization, the bank had a chance to demonstrate the stuff it was made of, for it went through one of the most disastrous panics in American financial history—the Panic of 1837. When the semi-annual interest date arrived, earnings had not reached the dividend mark, but the trustees, to help in restoring confidence, assumed personal liability for the deficit and paid the usual dividend.

Beginning with an interest payment of 5 per cent. on deposits of $500 or over in its first year, the interest rate of the bank has varied according to conditions, reaching 7 per cent. in the post-war period from 1868 to 1875, and dropping to 3½ per cent. in the years of dull business from 1882 to 1905. With the return of prosperity, the rate was raised to 4 per cent. which has been maintained ever since.

By January 1, 1834, after six months of business, the bank had total deposits of about $70,000. Total deposits on July 1, 1926, were over $112,000,000 owned by over 100,000 depositors. The bank has a surplus of over $15,000,000, and its total resources are now more than $127,000,000. Charles M. Dutcher has been president of the bank since 1920.

SCHRODER BANK'S STATEMENT

THE statement of condition of the J. Henry Schroder Banking Corporation, New York, as of June 30, 1926, showed acceptances outstanding of $15,381,385, due to customers and banks on current account $15,639,808, due to customers and banks on special account $4,054,100, cash and due from banks $2,806,436, call loans with discount houses $3,750,000, acceptances of other banks $5,666,300, U. S. Government securities $4,000,000, and advances to customers $7,445,767. Total assets of the bank are over $40,000,000.

The Sesqui-Centennial office of the Franklin Trust Company of Philadelphia.

I. A. B. STATEMENT

THE statement of condition of the International Acceptance Bank, Inc., New York, as of June 30, 1926, shows acceptances outstanding of $37,545,719, and due to banks and customers $35,459,120. Cash on hand amounted to $7,479,818, call loans secured by acceptances $5,270,000, and acceptances of other banks $5,323,720. The total resources of the corporation are $93,966,779.

SESQUI-CENTENNIAL OFFICE OF FRANKLIN TRUST

VISITORS to the Sesqui-Centennial Exposition at Philadelphia this year will have an opportunity to "peer behind the scenes" of a bank in operation. The interior of the new branch of the Franklin Trust Company, located on the grounds of the exposition, is arranged so that the visitors to the building may see all of the work of the bank incident to the handling of its business.

Coin wrapping and counting machines, with adding machines and tabulators, have been placed on exhibit in the building.

The doors of the new branch were opened just twenty-four days after the ground was broken for the building. Under a special dispensation of the Banking Commissioner of Pennsylvania, which allows the branch to remain open on Sundays and holidays, the new branch was able to open its doors on a holiday, May 31, which was the day before the exposition was formally opened.

The interior of the building contains five tellers' windows surrounded by bullet proof glass, and the counters are lined with steel plates. The building has been pronounced by experts to be burglar and bandit proof.

Deposits in the new branch reached the million dollar mark in slightly less than two weeks after the doors were opened. Many of the exhibitors at the exposition opened accounts, and the bank was designated as the official depositary of the exposition.

H. Ennis Jones, assistant to the president, and supervisor of the branch banks of the Franklin Trust Company, handled the details incident to the construction of the new building, and opening its doors for business.

In addition to the banking facilities,

ALFRED C. BOSSOM

Bank architect and engineer of New York, who has recently been awarded the Cross of the Legion of Honor by the French Government in recognition of his efforts to encourage a better understanding between those interested in art in both France and America.

the building contains a conference room where meetings of boards and committees may be held, and has rest and lounge rooms for the convenience of visitors and sightseers. The doors are open from 8.30 a. m. until midnight, affording banking facilities for 15½ hours each day to the exposition buildings.

All cash and currency is removed from the building at midnight and conveyed in an armored car, with armed guards, to the main banking building at Fifteenth and Chestnut streets.

During the hours of the night the tower of the building is brilliantly illuminated by lights placed on the roof. The grounds have been landscaped, with large signs, "Visitors Welcome," on each side of the entrance.

BANK OF THE MANHATTAN COMPANY EXPANDING

THE Bank of the Manhattan Company, New York, has completed arrangements for the purchase of the Greenpoint Bank, Brooklyn, N. Y., and is rumored to have almost completed arrangements for the purchase of the stock of the Bronx Borough Bank, Bronx, N. Y.

The Greenpoint Bank has been converted into a state bank, preparatory to its merger with the Bank of the Manhattan Company, which will be effective some time in August. It will then continue as a branch of the Bank of the Manhattan Company, with its present personnel. David E. Freudenberger, president of the Greenpoint Bank, is expected to become a vice-president of the Bank of the Manhattan Company when the merger is completed.

The stock of the Greenpoint Bank was exchanged on the basis of three shares of Bank of the Manhattan Company stock and $50 cash for each share of Greenpoint Bank stock. Prior to the merger the Greenpoint Bank had capital of $200,000, surplus of $300,000, and undivided profits of $180,000.

When, as, and if the Bronx Borough Bank stock is bought from its president, Dr. C. A. Becker, who holds 1200 of the 1500 shares, it is not expected to be merged with the Bank of the Manhattan Company. Instead it will be operated as a separate unit, with Dr. Becker as president. No details of the price paid for the stock of the Bronx Borough Bank were available at the time of writing.

To accomplish these purchases, it is reported that the Bank of the Manhattan Company will issue 14,000 shares of new stock of $50 par value, thus raising its capital from $10,000,000 to $17,000,000.

MERCHANTS NATIONAL'S NEW BUILDING

A BOOK store's back room was the original home of the Merchants National Bank, Vicksburg, Miss., when it started forty years ago. It had then only $100,000 capital, and $51,308 in deposits. In the forty years, these have increased to $250,000 capital and $1,882,502 deposits,, and a surplus and undivided profits account of $302,186 has appeared in the statement. The bank has occupied the site of its present building since 1901. "This fortieth anniversary," says the bank's announcement, "finds the Merchants National Bank not only strong, alive, thoroughly equipped in resources, experience, knowledge and personnel, but dedicated anew to the work of furthering the progress of its customers and its community." Total assets, as of June 30, 1926, amounted to $2,719,421.

PRIZES AWARDED A. I. B. STUDENTS

J. A. GRAVES, president Farmers and Merchants National Bank, Los Angeles, offered $100 in cash to the best student of the year in the Los Angeles Chapter of the A. I. B. L. D. White of the

Hellman Commercial Trust and Savings Bank, and Ned Strumwasser of the Farmers and Merchants National Bank, in the effort to capture this prize, took all four of the standard courses in one season, put in 100 per cent. attendance, took all four final examinations, and received grades of 90.07 and 89.57. When Mr. Graves saw how close the results were, he presented a check for $100 to each.

Eight other students took three courses, passing all of them. Thus Los Angeles chapter keeps up its reputation for concentration on education. It is now fourth in membership, and second only to New York in enrollments.

In addition to these prizes, E. J. Nolan, president of the Hellman Commercial Trust and Savings Bank, presented handsome watches, suitably engraved, to both honor students.

NEW RULES OF NEW YORK CLEARING HOUSE

In order to allow bookkeepers to start their work on checks as soon as they arrive at the bank in the morning, the New York Clearing House is planning to establish an early morning exchange, delivering before 2 o'clock in the morning all items received after the 10 a. m. clearings of the previous day.

The compulsory exchange and collection charges of the association have been eliminated. This allows banks to accept checks on distant cities and collect them free of charge for good customers, if they care to do so. The banks are already inviting their customers to confer with them to see what benefits they can obtain from this. It opens a new avenue of competition for accounts to the member banks.

The interest rates payable on accounts over $10,000 are now payable on accounts over $15,000. The committee fixing these rates has been authorized to change the rates at any time, instead of varying them automatically with the changes of the Federal Reserve Bank's rediscount rate.

Finally, the phrase "payable only through the New York Clearing House" has been eliminated from checks. It was originally intended to prevent heavy withdrawals of cash from a bank in case of panic; but the danger of panic is now sufficiently remote, thanks to the Federal Reserve System, to make the phrase practically useless.

HIBERNIA BANK SHARES PROFITS

EMPLOYES of the Hibernia Bank and Trust Company, New Orleans, La., received their regular dividend checks on July 1, following the profit sharing plan of the bank, which each quarter year gives the employes a bonus based upon the amount of salary and the number of years each has been in the employ of the bank. The regular quarterly dividend to stockholders on July 1, was 4½ per cent.

The bank has opened a branch office in the Holmes Department Store in New Orleans, in charge of E. W. Walt. Mr. Walt was educated in a private school and in business college, his first job was secretary to John McGraw, president of the Morris McGraw Woodenware Company. Later he served as office manager of R. G. Pitard Sons Hardware Company, and nine years ago left that job to enter the trust department of the Hibernia Bank and Trust Company. He has worked through every job in the department up to his present position of manager of the new Holmes branch.

FURTHER EXPANSION OF THE BANCITALY CORPORATION

FOLLOWING its entrance into the New York banking field by the purchase of the Bowery Bank and the Richmond Borough National Bank, on Staten Island, the Bancitaly Corporation has purchased a majority interest in Lionello Perera and Company, a private bank, of New York, and is converting it into a state bank, the Commercial Exchange Bank.

The new bank will have capital of $1,500,000, surplus of $1,000,000, and deposits of approximately $15,000,000. Lionello Perera will be president and will retain a majority interest in the bank. The present employes will be retained. Dr. A. H. Giannini, president and chairman of the board of the Bowery and East River National Bank, will be chairman of the board of directors of the new bank.

MERGER IN NORTH CAROLINA

THE Atlantic Bank and Trust Company, Greensboro, N. C., is to take over the Fidelity Bank and Trust Company, Spencer, N. C., and the Bank of Spencer, Spencer, N. C., and merge them into one strong institution, thus doing a good deal, according to the Greensboro *Daily News* "toward stabilizing a somewhat panicky situation."

The Atlantic bank is one of the strongest institutions in the state, and operates branches at High Point, Burlington, and Salisbury, in addition to the two new banks just acquired. Julius Cone is president, and John W. Simpson, vice-president and cashier.

CALIFORNIA BANK PAYS EXTRA DIVIDEND

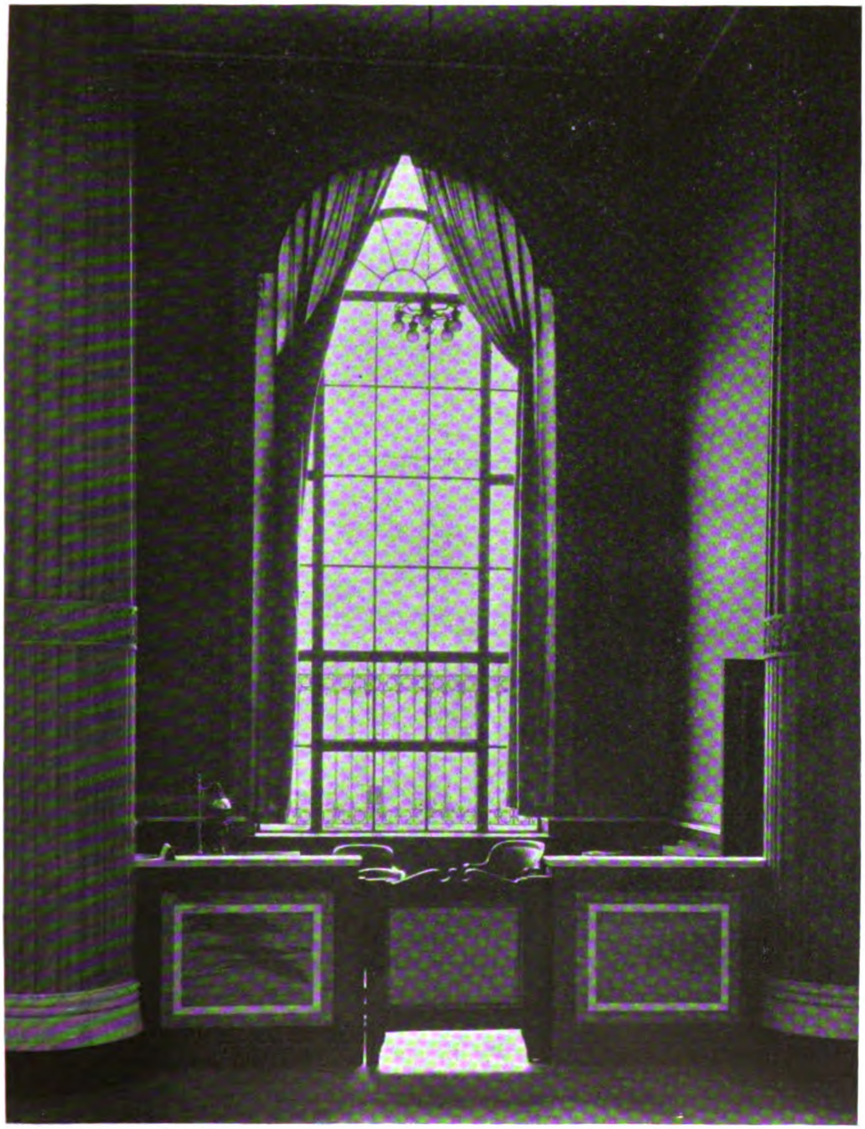
AN additional dividend of $1.50 with the regular dividend of $3 per share on stock of the California Bank, Los Angeles, Calif., was passed by the bank's board of directors at the last meeting. This is made possible, according to A. M. Chaffey, president of the bank, "by exceptionally fine earnings for the first half of 1926."

BETHLEHEM STEEL RELIEF PLAN POPULAR

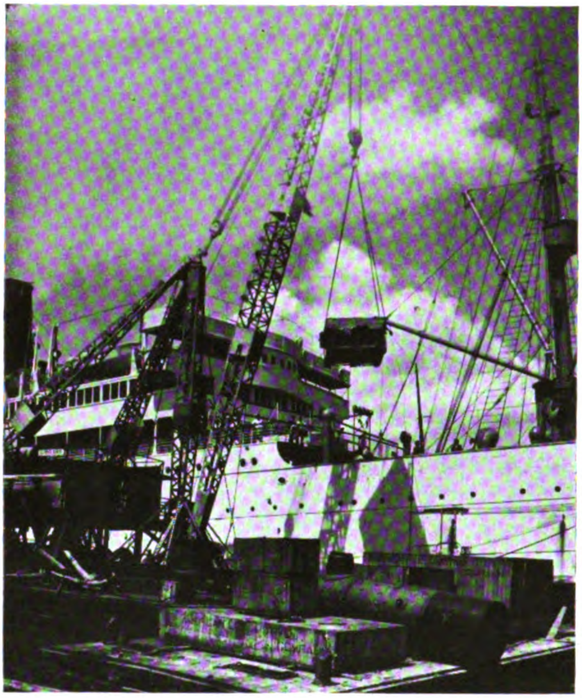
BENEFICIAL associations previously existing in many of the subsidiary corporations of the Bethlehem Steel Corporation have been unified under one relief plan, under which sick benefits of $10 to $12 a week, and death benefits of from $500 to $1500 are payable to employes, the amount depending upon the earnings of the employe. The plan is a joint one, the employes and the company both making contributions to the fund, and the company assuming the cost of organization and administration. The fund will be managed by local committees and a board of trustees, half being elected by the employes participating, and the remainder appointed by the management.

More than 90 per cent. of the 70,000 employes have applied for participation in the plan, according to a recent statement by the company.

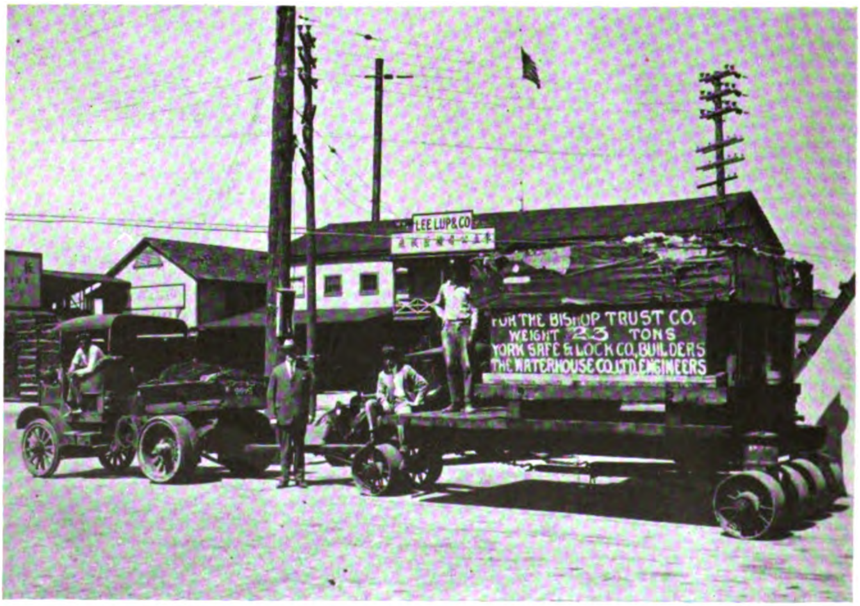
EXAMPLES OF RECENT BANK BUILDING OPERATIONS



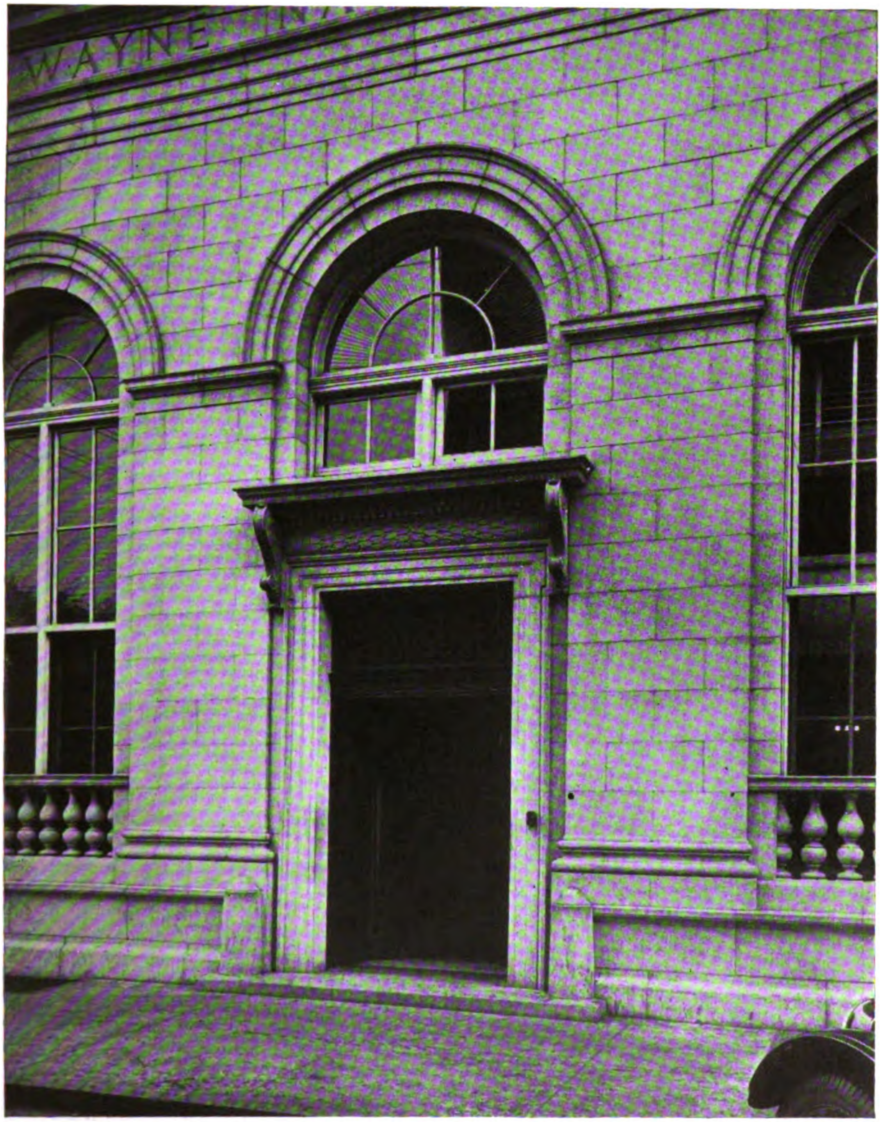
An interior view of the Ohio Savings and Trust Company, Akron, Ohio, showing the steel window casements installed by the Crittall Casement Window Company, Detroit, Mich. Walker & Weeks were the architects for the building



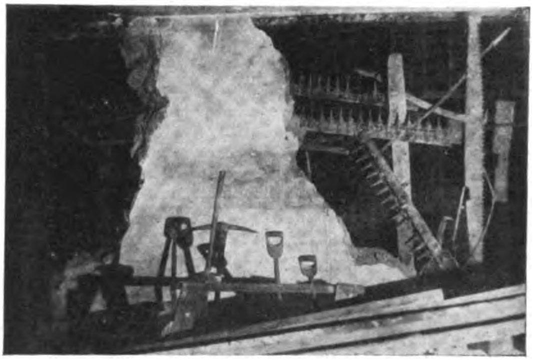
Unloading a twenty-three ton vault door from aboard ship. The transfer and unloading of this huge door as well as other pieces of vault equipment transported on the "S. S. City of Los Angeles," to Honolulu, H. I., was attended without mishap. The shipment included, besides the door, a complete vault installation, one of the most extensive ever shipped abroad. This vault was designed and built by the York Safe and Lock Company of York, Pa., for the Bishop Trust Company of Honolulu.



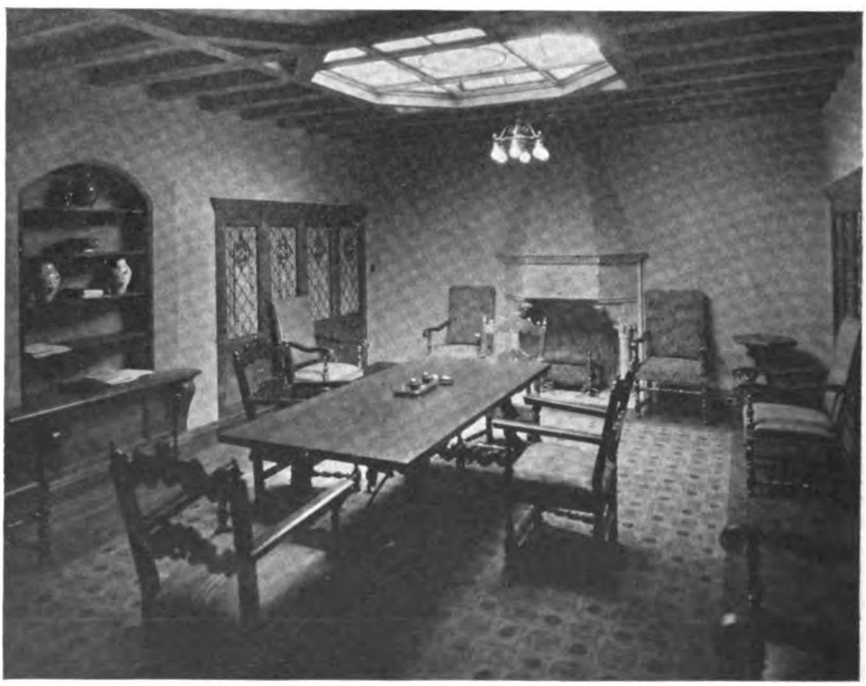
The twenty-three ton vault door designed and built for the Bishop Trust Company of Honolulu, H. I., by the York Safe and Lock Company of York, Pa., after being unloaded from boat to truck, following its arrival in Honolulu on the "S. S. City of Los Angeles."



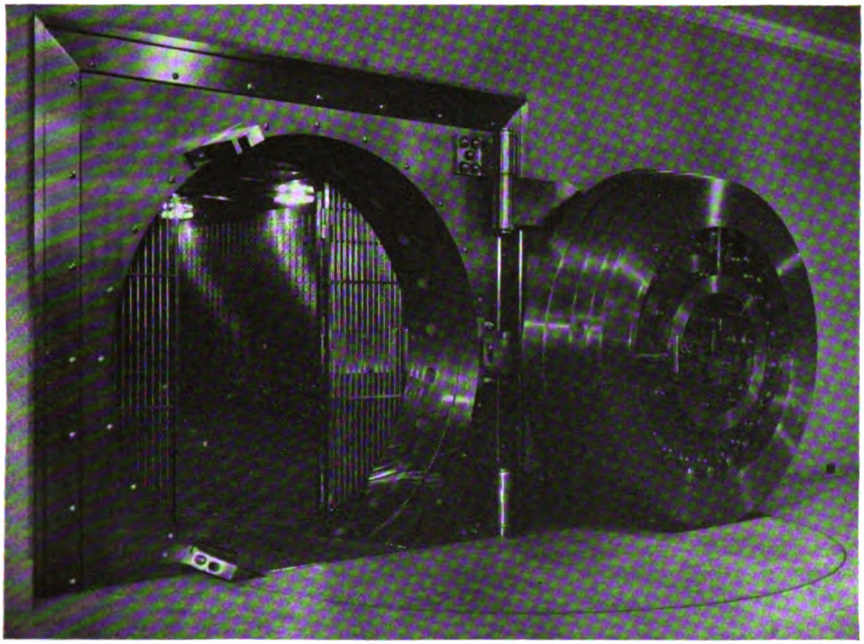
A close up of the doorway of the Wayne National Bank, Goldsboro, N. C., designed by Alfred C. Bossom, bank architects, New York.



Showing the reinforcement used in bank vaults in "the good old days." In tearing out the old vault of the First National Bank, Meadville, Pa., built thirty-four years ago, the Diebold Safe and Lock Company found that the reinforcing of the old vault consisted of four reaper blades, three scythe blades, one crowbar, one crosscut saw (all visible in the illustration), also picks, axe heads, and pieces of stove lids. The new vault, which will be installed by the Diebold Company will be lined with a ½-inch open hearth steel casing, and the two entrances will be protected by Diebold 12-inch solid steel rectangular doors.



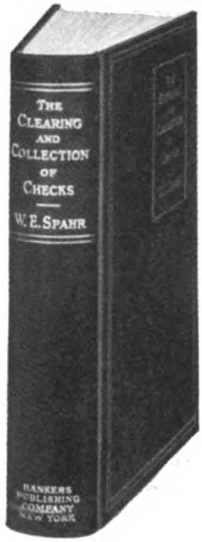
Library and committee room designed by Alfred C. Bossom, bank architect and engineer of New York, for the new building of the Federal-American Bank of Washington, D. C. The design of the room is Spanish in every detail and the walls are hand plastered, giving the effect of ages past. Around the walls are book cases all in American walnut. The chair coverings are in green leather, with a few pieces in highly colored Spanish silk, fastened with ornamental brass figures.



Typical entrance to new steel lined safe deposit vault now being installed in the basement of the Hoboken Trust Company, Hoboken, New Jersey, by the Herring-Hall-Marvin Safe Company, Hamilton, Ohio, and New York, N. Y.

Architects' sketch of the new building of the Peoples Bank of Johnstown, New York, designed and erected under the supervision of Morgan, French and Company, Inc., architects and bank engineers, New York.

The Par Clearance System Affects Your Bank



WHETHER you charge exchange or remit at par. If you charge exchange, the system is taking away some of your profits by driving your customers to par remitting banks. If you remit at par, the exchange-charging banks are taking an unfair advantage of you, by charging exchange on their own checks, and collecting yours at par. Do you know how the par clearance system originated? Do you know the economic saving it has accomplished? Do you know how widespread it is? You need all these facts to make a rational decision whether your bank shall continue its present policy or change. You will find them in

The Clearing and Collection of Checks

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."

It will pay you to be informed on this subject. Fill in the coupon below, and examine the book at your own desk.

Approval Order

.................................1926

THE BANKERS PUBLISHING COMPANY,
71 Murray Street, New York City.

You may send me on approval one copy of THE CLEARING AND COLLECTION OF CHECKS. I will remit $7.50 or return the book to you within five days after I receive it.

Name ....

Bank ....

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REMARKABLE DEVELOPMENT OF PHILADELPHIA BANKING

UNDER this heading, an article in *The Corn Exchange* for June, published by the Corn Exchange National Bank, Philadelphia, Pa., Philadelphia's banking growth is summed up as follows:

"In thirty years the financial capacity of Philadelphia has multiplied more than six times.

"And in the last seventy years, during which period Philadelphia's population has multiplied four times the resources of its banks have expanded fifty fold.

"Nor does that represent the limit of the city's present financial resources. On top of the totals may be placed $650,000,000 in the local building and loan associations. . . .

"But the most significant fact remains yet to be stated. Almost exactly one-half this enormous banking power of Philadelphia has come in the last ten years.

"Which means that Philadelphia banks are more than twice as great as they were when the World War began in 1914."

JAMES M. PETERSON

President James M. Peterson Bank, Richfield, Utah, elected president of the Utah Bankers' Association at the recent convention in Richfield. Mr. Peterson has been with the James M. Peterson Bank, which was started by his father in 1883, for thirty years and its managing officer for the last twenty-three years. He has been active in the affairs of the Utah Bankers' Association since it was organized.

BIG FAILURE IN GEORGIA

FOLLOWING the collapse of the Florida boom, and several bank failures in Florida, it was announced in the newspapers on July 14, that the Bankers Trust Company of Atlanta, Georgia, had been closed, on a petition in bankruptcy. The petition charged that the company had "preferred" certain Florida banks as creditors.

Shortly after the closing of the Bankers Trust Company, about sixty-five other small banks in the state, which had been relying on the Bankers Trust or were subsidiaries of it, also closed their doors. Some of the banks will probably be reopened. The embarrassment so far seems to have affected only the chain of banks connected with the Bankers Trust, and has not spread to any of the other state banks, or the national banks. It is hoped that more details of the cause of the failure will be available to be reported next month.

BIRTH AND DEATH RATE OF BANKS IN NEW YORK

A COMPILATION made by the *New York Sun* recently, reveals the fact that since 1917, thirty-six banks have been organized in New York City, and during the same period exactly the same number have gone out of existence through merger with or purchase by some other bank.

MUNCY COMPANY BUILDING COMPLETED

WORK was recently completed on the new home of the Muncy Banking Company, Muncy, Pa., designed and built by the Griswold Building Company, Inc., bank architects and engineers, New York.

Its location on a corner provides abundant light for the interior and a convenient entrance on two main streets. The interior design is carried out in cut caste granite with a granite base. Modern fire-proof construction and equipment have been employed throughout.

INTEREST RATES AND SERVICE CHARGES IN MINNESOTA

THE Minnesota Bankers Association has published a tabulation of the interest rates and service charges in the various counties of the state, which shows the results of the efforts of the county associations to equalize interest rates. The report says that only 120 banks are now paying more than 4 per cent. on time deposits. One hundred and fifteen of these are paying 5 per cent. "Fifty associations have agreed upon the rate paid on county funds; thirty-six associations have adopted a schedule of charges for drawing papers and other like services; and seven have adopted a uniform charge for small checking accounts." The service charge is 50 cents a month in most cases. There are eighty-seven counties in the state, with a total of 1255 banks, excluding Duluth, Minneapolis and St. Paul.

STATE BANKERS CONVENTIONS

Delaware—at Rehoboth, September 2.

Kentucky—at Louisville, September 15-16.

Indiana — at Lafayette, September 21-22.

New Mexico—at Roswell, October 22-23.

Arizona—at Nogales, October 22-23.

Nebraska — at Lincoln, November 11-12.

OTHER CONVENTIONS

Savings Banks Association of Massachusetts—at Chatham, Mass., September 17-18.

Financial Advertisers' Association—at Detroit, Mich., September 20-23.

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.

Association of Bank Women—at Los Angeles, Calif., October 4-6.

Investment Bankers Association—at Quebec, Canada, October 11-15.

Morris Plan Bankers Association—at Asheville, N. C., October 18-20.

National Association of Mutual Savings Banks—at Philadelphia, Pa., October 18-22.

Canadian Bankers' Association—at Montreal, Canada, November 12.

BOOK REVIEWS AND NEW BOOKS

INTEREST RATES AND STOCK SPECULATION. By Richard N. Owens and Charles O. Hardy. N. Y.: Macmillan. $2.

THE development and collection of statistics in business is proving a boon to economics. With the necessary statistics it is possible to test quantitatively some of the long standing theories that have been based primarily on logical reasoning. Concurrent with the appearance of these statistics, organizations have appeared to make use of them. Prominent among such organizations are the National Bureau of Economic Research, and the Institute of Economics, both devoted to the finding of facts concerning economic phenomena. These facts are sought out merely for the advancement of economics, and not for the profit of any group of individuals or industries.

It is through such an organization as the Institute of Economics that such a book as this one is possible. It has practically no commercial value; that is, in the sense that anyone will be able to increase his profits or reduce his losses after reading this book. But it completely destroys a fallacious theory that has been current for decades, and has been responsible for some of our banking legislation and for much harsh criticism of stock exchange speculators.

The theory under fire is a familiar one. It links interest rates to stock speculation in a relation of cause and effect. When money becomes plentiful, according to the theory, it results in low interest rates, particularly call loan rates. These low rates stimulate speculation until all the money available is used. When rates become high, they tend to check speculation by making it expensive to borrow money with which to carry it on. This seems logical, and an examination of the facts should confirm it.

Examining first the relation between the seasonal variations of call loan rates and stock prices, the authors find a very marked and regular seasonal variation of call loan rates, but no seasonal variation of stock prices whatever. This is true of short time interest rates as well as call loan rates. And there is no seasonal variation of stock transactions which corresponds with the seasonal variation in rates.

Nor do the authors find any relation between the cyclical variations of interest rates and stock prices which will support the theory. In order to make the investigation complete, however, they compute the coefficients of correlation of rates and prices with one lagging behind the other. There is some evidence of correlation in rates and prices when rates are lagged six to nine months behind the stock prices. In other words, changes in interest rate seem to *follow* as a *result* of changes in stock prices, rather than *precede* as a *cause* of such changes. This is merely indicated, and is not concluded by the authors or the reviewer. There is slight evidence to support the traditional theory in this test.

Finding then, that history does not confirm the accepted theory, the authors examine the logic of it, and find it wanting. Interest rates are, after all, but a small part of the costs of speculation, and, therefore, have but little influence on it. The profits from arbitraging between interest rates and dividend rates on stock are not large enough to warrant the risk of price declines that an arbitrageur must assume in such an operation.

The director's preface to this volume promises a later study of the relation of interest rates to commercial borrowing and trade. If it reveals, as this does, little casual relation between the two, it may prove what this reviewer has long

suspected—that interest rates are the results of good or bad business conditions, not the causes of them

New York Laws Affecting Business Corporations. Edited by J. B. R. Smith. N. Y.: U. S. Corporation Co. $2.

This is the seventh edition, revised to May 23, 1926. It contains the business corporations law, the general corporation law, the stock corporation law, the membership corporations law, provisions of the tax law, the uniform stock transfer act, the blue sky law, and all sorts of helpful information of that nature.

Money. By R. A. Lehfeldt. N. Y.: Oxford University Press. $1.

So long as the purchasing power of money remains constant, people pay little attention to it. There has been little public discussion of money since the Bryan era around 1900. By its constant increase in purchasing power, money had then become a public question, and was removed from politics by the discovery of gold mines which removed some of the increased purchasing power.

Now, however, since the war, with resulting inflation almost everywhere, has snatched away a substantial part of the former purchasing power of money, it is again coming to the fore. People want to know whether something cannot be done to keep the value of money stable, and if not, why not? The present persistence of the question is possibly the reason for this booklet.

Mr. Lehfeldt explains, in his preface, that the book "is intended for the nontechnical reader," and the cover marks it as one of "The World's Manuals." But while the author is clear enough in his thought and expression, this reviewer does not believe that his style is graphic and forceful enough to make the subject "popular."

It contains chapters on metallic money, paper money, bank deposit money, the social consequences of price changes, good and bad trade, international payments, the theory of money, and suggestions for improvement. The last chapter is very interesting, for it shows that the subject of money is still a live one; and that money is capable of great improvement.

The author does not claim to present anything new in the book, and does not. It is merely a good clear statement in modern terms, of what money is, what it has done to date, what is the matter with it now, and what men have proposed to do about it. If it leads a few more people to understand this too little understood subject, it will have justified its existence.

The Office of the Comptroller of the Currency. By John G. Heinberg. Baltimore: Johns Hopkins Press. $1.

Little of interest or profit to bankers is contained in this monograph. It is complete enough, and scientific enough in its study of the Comptroller's office, but most of the information is common knowledge, and what is new is useless. The history of the office is mildly interesting, but the detailing of the activities and the organization is very dull. When the reviewer glimpsed this title, he anticipated considerable pleasure and profit from reading it. He has been disappointed.

It is probable, though, that the book will prove much more valuable as a part of the series being prepared by the Institute for Government Research than as an individual unit. This series, when completed, will describe the fifty or more services of the Government in considerable detail. When completed, it is expected to show where two departments are duplicating each other's work; where one department is performing work which could be more efficiently done by another; and generally form the basis for a more scientific organization of the Government services.

Such institutes for fact finding in vari-

ous fields seem to be on the increase. The Institute of Economics is doing similar work in economics. It is unfortunate that a little more attention is not given by the Institute for Government Research to putting its findings in interesting and readable form. The publications of the Institute of Economics stand out in this respect, and for that reason are doubly valuable. For it is useless to collect facts if they are not so presented that people can be induced to read them.

THEORY OF ACCOUNTS. By Dr. Scott. N. Y.: Henry Holt. $2.50.

DR. SCOTT of the University of Missouri has succeeded in writing a book that tells in simple language the "why" of accounting. He has eliminated a large part of the "how," leaving much of the exposition of systems and methods to problems and laboratory work. For "Theory of Accounts" is essentially a textbook for use in courses of accounting, designed to acquaint the student of business with fundamental principles rather than particular methods. A complete survey of the practice of accounting as applied to business is given.

He has arranged the material in sections, classified to accommodate four divisions of accounting. The first part is given over to a consideration of the balance sheet and income statement, going into the explanation of the various items found in these two "summaries of business facts." A chapter on the ledger with the analysis of debit and credit, and on the trial balance completes this first division.

Part 2 briefly explains the systems of accounts and accounting methods. In the discussion of problems incident to proprietorship in part 3, he shows how profits and losses are distributed to reserve and partnership, or capital and surplus accounts in the case of corporations. Part 4 is a treatise on valuation, and is, in fact, a most illuminating study of valuation adjustments such as are met with in the accounting of inventories, amortization, and depreciation. While it is not a complete exposition of all the ramifications of these problems, it nevertheless discusses them with a degree of nicety that is the point of beginning of a more exhaustive study of these accounting problems and their treatment in business records.

The book will thus be found valuable to students, to business executives who wish to gain a better understanding of the functions of the accounting department, and to accountants and bookkeepers who want a source of reference.

Both competitive and regulated businesses are dependent on proper accounting for their development and their well being. Administrative control must necessarily be in a position to properly guide the business, so the accountant has become in a sense, a business "doctor." It is with this idea in mind that the author of this book has attacked his subject, and has produced a work which, while fragmentary in spots, points the way to a better understanding of accounting principles. It does not set up dogma for accountants to follow, but recognizes the flux of business and economic advancement. Thus, for example, an entire chapter is devoted to the voucher system and shows that in very large business organizations this is efficient, but should not be used where there is not a bountiful cash balance in the treasury. Accounting accepts the challenge of increasing problems in business, and assumes the responsibility of giving business facts to the management, to investors, to bankers, and to all who are interested in the growth of a business enterprise. A book of this sort is, therefore, a distinct contribution to this field.

The author has, no doubt, purposely left out a discussion of the accounting of Government revenues and of estates, as they are more nearly concerned with matters that do not relate to a profit economy. They embody a different point of view.

GETTING AHEAD IN THE BANK. By Herbert Dee Ivey. Indianapolis: Bobbs-Merrill. $1.50.

LATELY the bank clerk has been neglected. There have been many books for executives and those in special departments of the bank, but outside of Morehouse's "How to Succeed in the Bank," practically none for the humble clerk who is just starting in.

Yet he is interested in progressing. He may be young and ignorant and inexperienced, but he wants to learn. Hence it is good to have some books in which to study how other men have got over the rough spots in the road. And who is better qualified to teach him this than Mr. Ivey, who in twenty years has traveled the whole distance from messenger to vice-president.

This is no book of generalizations, urging the clerk to study his job, work hard, get an education, be courteous, etc. Orison Swett Marden has already covered that field. It is the experience of actual work in the bank, distilled down to its essence. In many departments of banks there are old employes who like to take the newcomers and point out to them how to avoid the most common mistakes in their departments. They will tell the tyro their rules for doing the work more easily. This is just what Mr. Ivey does. He takes the prospective messenger and leads him through the work of all the departments. He suggests to the messenger that while he is yet unskilled in the work of the bank he ask plenty of questions. He tells the clearing-house clerks some simple methods of increasing their speed on the adding machines. He suggests to tellers methods of locating a difference. And so on, through almost every branch of the work.

The only thing that has been omitted, the writer thinks, is the warning to the clerk that he may do all that is advised in the book and yet his progress may be slow. To get ahead in the bank, one of the essentials is great patience, for often promotion is very slow. He must be content to work at the job he has for a long time and get all the fun he can out of it, if he is to really get ahead in the bank.

The book also includes a glossary of banking terms. It should prove very helpful to the ambitious bank clerk. It might make good "required reading" for new messengers or pages in every bank.

TWENTIETH CENTURY ADVERTISING. By George French. N. Y.: Van Nostrand Co. $6.

GEORGE French in his introduction to "Twentieth Century Advertising," states that this book is not intended to deal with advertising as a science. Instead, it mirrors "what has been going on within the range of vision of one man." His readers will concede, however, that it is the vision of a man who has known intimately the problems of advertising, from several angles, and has retained an objectivity all too rare in any profession.

His method throughout the first part of the book is semi-historical in that he describes in detail the founding and growth of such organizations as the Associated Advertising Clubs, the Association of National Advertisers, the Advertising Club of New York, and discusses among other work of theirs, the Better Business Bureau and the Audit Bureau of Circulations. In fact he has included such a wealth of data that this part bulks large in the makeup of the whole. Colorful bits and anecdotes brighten his rather lengthy ramblings.

An outstanding feature of this study is its wealth of illustrations. In contrast to the many books of this kind, with their paucity of illustrations, it has over a hundred whose real value, however, lies in their variety and suitability. Here are grouped together reproductions of such dissimilar advertisements as Rogers Peet Company's "WANTED—a new set of adjectives," and the Knabe Beautiful, which has no text; the welfare advertising of the Metropolitan Life Insurance Company and the Tecla Pearl advertisements, which are built about class appeal; the simple distinction of one of the Westvaco inspirations, and the sophistication of Ambassador copy. In fact, they represent many types of mediums and many localities as well as many products and styles of advertising. Each has been chosen to illustrate some point of excellence: in typography, arrangement, border, focusing of attention, composition, timeliness, uniqueness, simplicity, distinctiveness or directness. All of these become part of the consciousness of even the most casual reader, for they have been carefully explained in chapters on the art factor, paper and advertising, advertising copy, photo engraving, and advertising typography. To the more careful reader they offer much real substance as does the treatment of the general classes of advertising and the mediums through which these different classes best reach the public. A man with a knowledge of the field will appreciate the author's care in selecting photographs of men who as pioneers have made definite imprints on the field.

Indeed, there is such balance between photographs and reproductions of advertisements, between historical material and commentary, that the whole is well organized and readable. It is certainly not a text book, although it would make excellent supplementary reading; not a technical volume for the trained advertising man, although he would find it convenient. Primarily it is a panorama of that lasting phenomenon, advertising.

A SUB-COMMITTEE of the Cleveland Financial Advertisers Association, composed of Don Knowlton, Union Trust Company; Harry Martin, formerly of the Guardian Trust Company; and I. I. Sperling, Cleveland Trust Company, has republished in pamphlet form a series of twenty-four articles on "Banking and Finance." The series, each of which was contributed by a prominent Cleveland banker, was originally published in *The Cleveland Press.*

NOTES ON NEW PUBLICATIONS

IN addition to the reprint of "Pioneering in the Investment Trust Field" from THE BANKERS MAGAZINE, which the International Securities Trust of America is distributing, the company announces that it has the following booklets for free distribution:

"Five Years of Growth and Progress" (quinquennial booklet of the International Securities Trust of America).

"Answers to Questions about an Investment Trust."

"The Investment Trust, the Culmination of Investment Service."

"Creating Standards in Investment Values" (reprinted from *Forbes*).

NEW BOOKS

ACHIEVEMENT: HOW IT IS WON. N. Y.: Educational Press. $1.

THE THEORY OF INTERNATIONAL PRICES. By James W. Angell. Cambridge, Mass.: Harvard University Press. $5.

MODERN BUSINESS: THE BUSINESS MAN IN SOCIETY. By L. C. Marshall and M. J. Wiese. N. Y.: Macmillan. $1.60.

THE NEW BANKERS GUIDE BOOK. (4th edition). By W. R. Morehouse. Los Angeles: Bank Business Builders. $3.

BUSINESS GEOGRAPHY. By Ellsworth Huntington and Frank E. Williams. N. Y.: Wiley. $3.50.

PALGRAVE'S DICTIONARY OF POLITICAL ECONOMY. Edited by Henry Higgs. N. Y.: Macmillan. $10.

BOOKS RECEIVED

PSYCHOLOGY IN PERSONAL SELLING. By A. J. Snow. Chicago: A. W. Shaw Co. $6.

BUSINESS CORRESPONDENCE HANDBOOK. Edited by James H. Picken. Chicago. A. W. Shaw Co. $7.50.

AROUND THE WORLD VIA THE SOUTHERN HEMISPHERE. N. Y.: Thos. Cook & Son.

September 1926

The BANKERS MAGAZINE

80TH YEAR

The Allied Debts

Deposit Guaranty in Kansas

Budgetary Control of the Bank's Expenses

Plans for A. B. A. Convention

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Editorial Comment

THE ALLIED DEBTS

SHARP controversy has broken out recently both in this country and Europe regarding the Allied debt question. As a result of the discussion, which has been marked by some bad temper and harsh language on both sides of the Atlantic, considerable ill feeling has been aroused against the United States. In France this has manifested itself in the form of attacks upon American visitors in that country. These attacks proceed upon the mistaken theory that these tourists are in some way blamable for the recent serious decline in the value of the franc, when as a matter of fact the tourist outlays constitute a sustaining value to the French currency by no means negligible. Regard for the truth compels the statement that the chief blame for the unhappy financial situation of France rests neither upon the shoulders of the American tourists nor upon the American Government in insisting that the French debt to this country be discharged. The politicians of France, who have so long delayed taking the necessary steps to put the country's finances upon a sound basis, are the ones upon whom the displeasure of the French people should rightfully fall. Tardily this fact has been recognized. Had it been understood several years ago, and the essential steps taken to restore financial health, the situation of France would have been far better than it is today. For a long while the French people have preferred to live on illusions. Now they are compelled to face realities, made more stern by the long delay in meeting them.

Fully to understand the late outburst of anger in France and England toward the American attitude on the debt question, we shall have to revert to a statement made in the English House of Commons on May 31, 1922, by Lloyd George, then Prime Minister in the Coalition Cabinet. At that time he said:

"If our share of German reparations be added to the amount of debts due from other countries there is over £3,000,000,000 due to this country. On the other hand, this country owes something like £1,000,000,000. The proposal is that we should forgive the £3,000,000,000 without receiving any remission of the £1,000,000,000.

"We are perfectly willing to enter into any international discussion with the view to obliterating the whole of these war debts if we receive consideration, although it is not equal to that we are prepared to confer."

That this view of debt cancellation was inconsistent with an eloquent plea made some two weeks earlier by Lloyd George in behalf of the sacred nature of a debt probably gave that statesman no serious concern, for consistency has never been one of his shining virtues. Only recently he has declared that if you always know where to find a man he may be put down as a stick in the mud.

At any rate, the position which Lloyd George took on the Allied debt question in the House of Commons on May 31, 1922, was adopted as the principle of the celebrated Balfour Note, promulgated in August of that year.

The main object of the Balfour Note was to transfer from England to the United States all the odium attaching to the debt situation. In effect, the note said: "We only ask other countries to pay us because we are compelled to pay the United States. If the latter country would cancel our indebtedness, we would cancel yours. Since the United States refuses to do this, we are under the necessity of asking you to pay us enough of what you are owing us to satisfy the demands of our creditor." This, of course, is not the exact language of the note, but is a fair summary of its meaning.

Clever as this production was, and worthy of the exceedingly astute mind from which it emanated, it perhaps purposely omitted all reference to a fact of major importance. Earl Balfour sought to fix responsibility for the debt situation upon the United States. In seeking to do this, he ignored the fact that the debts grew out of the war; and for the origin of that war Europe and not the United States was responsible.

But the main object of the Balfour Note was accomplished. England was, in the minds of the other debtor countries, relieved of blame for the debt situation, and this blame was shifted upon the United States.

At the time this note was promulgated THE BANKERS MAGAZINE characterized it as a political blunder of the first magnitude. Reference was of course made to its evil effects on international relations. In view of what has recently happened, it will be seen that this estimate was correct. As a result of the ill feeling engendered by the Balfour Note, the hatred which various European Powers have heretofore expended among themselves has all been concentrated upon the United States. From 1914 to 1918 we witnessed the terrible crop of death and disaster harvested from the sowing of seeds of hate. But the lesson seems already forgotten in Europe.

Happily, there is an offset to the Balfour Note, to be found in a very simple statement made by Stanley Baldwin, Prime Minister of England. One day in the House of Commons he was twitted by Lloyd George for the debt settlement with America, and he made this magnificent reply:

"We had set our hands to a contract. Having done so, there was nothing left for Englishmen to do but to keep their word."

It was upon this rock of character and faith that England acted, to her everlasting credit, repudiating altogether the shifty proposals of Lloyd George and Earl Balfour. If France and Russia had acted on the same principle, long ago, Europe would by now be far on the road to economic recovery.

Once a settlement had been made with the United States by all the debtor countries, and they had found in the course of time that the terms bore too harshly upon them, any reasonable modification would have been granted. America has no wish to impoverish Europe. As Secretary Mellon recently declared, "Europe is our best customer;" and we certainly do not want to see our best customer crippled.

As to the legality of the debts due this country from Europe there can be no question. The sums advanced were loans not gifts. Documentary evidence is abundant that this fact was fully understood at the time the advances were made. The terms of settlement offered by this country have by no means been harsh. They give a long period in which the debts are to be paid, and the interest rate is low. Substantially the terms constitute important abatements from the sums which might legally have been demanded.

The proposal for cancellation of these war debts might fittingly be characterized as a way to make war easy. With the sure knowledge that nations can go to war and be relieved of the obligation of paying any foreign debts incurred in the enterprise, one of the present restraints upon war-making would be removed. If nations must pay for war, they may hesitate before they enter on it.

Let it not be forgotten that had the United States wiped off the slate every dollar of war debt coming to this country, the Government would still owe some $10,000,000,000 to its own people who hold its bonds, and that the people of the United States must be taxed to pay these obligations. They can not be cancelled, but must be paid.

It may be expected in Europe that we should make this further contribution because of our delay in entering the war. That is a matter about which a difference of opinion exists. Here it is thought that the multiplying of our domestic debt (exclusive of the amount owed us by Europe) ten times over (or more than twenty times if these debts are included) as a result of becoming involved in a war of Europe's making, is enough.

The contention put forth that England must collect from its debtors because it is compelled to pay the amounts received over to its debtor, the United States, is specious though hardly convincing. It is a plea that all of us can offer when asking our debtors to pay: we must collect from them because others are pressing us for payment. Nor is the other contention, that the sums borrowed in the United States were expended in this country, much better. The borrower of a London bank might plead in extenuation of his obligation that the sum borrowed was all expended for British goods, but the plea would not avail as an offset of his debt to the extent of a single shilling.

All this hair-splitting about these obligations is worse than futile. If these are honest debts, they should be paid. That they are of this character is clear beyond question.

What America should do—leaving altruism and generosity to one side—is to consider whether, in our own interest, the sums required to be paid are such as will seriously burden our debtors. Should this be found to be the case, we should make such modification of the terms of payment as equity may require.

Meanwhile, harsh and intemperate language, whether indulged in here or in Europe, will only further complicate a situation already sufficiently grave.

The true policy that will in the long run be of the greatest benefit both to Europe and America will be reflected in a spirit of economic and financial co-operation. Europe and the United States should find a workable scheme for mutual assistance in restoring the shattered fabric of finance and trade. It is a happy omen that France has finally set her feet on the right path. Once her obligations to this country are recognized, she will find no better friend than the United States.

RECENT SOUTHERN BANK FAILURES

JULY witnessed a number of bank failures in Georgia and Florida. As these failures were in the main confined to a chain system of banks that had been in operation for a number of years, and were due to special circumstances, it would be incorrect to assume that they represented a widespread economic depression in either of the states named or that they indicated general weakness in the banking situation in those states. While there has been considerable real estate speculation in Florida and in Georgia as well, which has lately subsided, agriculture and business as a whole are in good condition. The bank failures have nearly all been limited to small outlying banks, and it may be said that the principal banks in Florida and Georgia have not been affected.

Some evidence has appeared of a more or less concerted movement against the Florida banks, which took the unusual form of putting pasters on certain documents stating that checks on banks in that state would not be accepted. When the Comptroller of the Currency heard of this unwarranted action, he took prompt steps to put a stop to it so far as the national banks were concerned, and his action was effective. Any attempt to discredit the banks of an entire state because of the failure of a comparatively few small institutions is altogether unjust and likely to have serious consequences. So far as the banks generally of Florida are concerned such action was entirely unwarranted.

Another incident in regard to these failures is interesting. Announcements, seemingly from an authorized source, were put forth that no bank that was a member of the Federal Reserve System had failed. The purport of this statement appeared to be that membership in this system conferred immunity from failure. Turning to page 5 of the Report of the Comptroller of the Currency for 1925, this statement is found:

"During the Comptroller's report year ended October 31, 1925, ninety-eight national banks became insolvent as compared with 138 national banks for the year ended October 31, 1924."

It is perhaps needless to point out that these 236 national banks becoming insolvent in the years 1924 and 1925 were all members of the Federal Reserve System, but that they failed nevertheless.

STABILIZING PRICES

PROPONENTS of financial panaceas are prone to exaggerate the importance of their schemes for providing perfect monetary and banking systems. Evidence of this appears in a letter sent out by Hon. James G. Strong, accompanying his bill for stabilizing the general price level. A postscript to this letter says:

"No more important legislation than this has ever been considered by Congress."

It is the way of financial reformers to think in these superlative terms. They see in their schemes a short cut to the amelioration of most human ills, and thus believing—as they honestly do—their confidence in what they propose is explicable.

There are several paragraphs in this bill, all looking toward the same object—the stabilization of the general price level—and it will be sufficient to quote one of them which is as follows:

"The Federal Reserve Board and the Federal Reserve Banks and all committees, commissions, boards, agents, and servants under their direction, supervision or control, shall use all of the powers and activities granted or authorized by the Federal Reserve Act and subsequent acts or amendments thereto, including the open market operations and all other activities, in so far as they have any effect thereon, with a view of regulating the volume of credit, currency, and money in circulation so as to prevent so far as may be inflation and deflation and thereby to stabilize the average purchasing power of the dollar in terms of commodities in general; but nothing herein shall be construed as enlarging or extending any of the existing powers of the Federal Reserve Board in this respect or as authorizing any interference with the natural tendency of prices of specific commodities or groups of commodities to vary among themselves under the influence of demand and supply."

It will be seen that this does not enlarge the power of the Federal Reserve Board or that of the Federal Reserve Banks. But it does compel the use of powers already authorized "with a view of regulating the volume of credit, currency and money in circulation so as to prevent so far as may be inflation and deflation, and thereby to stabilize the average purchasing power of the dollar in terms of commodities in general." In other words, the proposal is mandatory in the employment of powers already existing, and for the purpose indicated.

No doubt the general policies of the Federal Reserve Board and of the Federal Reserve Banks are shaped in accordance with the trend of things, and no doubt also in forming these policies due attention is given to the general price level as an indicator of existing conditions and of future tendencies. There would therefore seem no use of ordering these institutions to do what, in the exercise of a sound discretion, they are doing already. Should their action be made mandatory by act of Congress, the people will then expect the Federal Reserve Board and the Federal Reserve Banks to stabilize the price level. Inevitably, under political pressure, they will be forced to do things their judgment condemns.

A certain degree of confidence may be given the Federal Reserve Banks for their help in preventing violent price fluctuations; but we have no right to expect of them the impossible. Broadly speaking, prices are not controlled by the Federal Reserve Banks, and to regulate the volume of credit, currency and money with this end in view is a hopeless proceeding It is no part of the business of the Federal Reserve Banks to regulate the volume of credit and currency, much less of money. That regulation depends—so far as it is a banking function at all—upon the banks granting credit in the first instance to corporations, firms and individuals. In the broadest sense the volume of credit depends upon the profitable use that can be made of it.

Mr. Strong would not attempt to interfere with the law of supply and demand by seeking to interfere with the natural tendency of prices of specific commodities or groups of commodities to vary among themselves. But he evidently fails to see that the general price level is affected as well by this same law—by many factors, of which credit is but one, and perhaps not the most important.

THE NEW PHILOSOPHY OF SAVING

NOT so long ago, measured by the flight of time, but in a far remote period measured by the changes that have taken place, it was the practice of bankers and other originators of thrift literature to point out to him who would save money that this could be done only at the price of renunciation and sacrifice. Not only must these unpleasing virtues be cultivated, but the real objective of the self-denial was equally harsh and forbidding. One was to save against the day of adversity, or the rainy day as it was generally styled. Provision must be made for sickness, old age, and the numerous ills that lie in wait for mankind slowly journeying toward the grave. Thrift literature of necessity wore a forbidding and lugubrious aspect. As a result, in competition with various alluring offers of a good time—not after one's bones were old and the joints stiff, but "in the morn and liquid dew of youth"—the appeal to save fell upon deaf ears. The orthodox principle of saving looked to the postponement of a present good for its future use. It proceeded upon the theory that moderate deprivation now would be compensated for by a fair standard of living as age approached. The theory was sound enough, but it fared badly when it came into competition with the fierce present-day tendency immediately "to have life and to have it more abundantly."

The old philosophy of saving was thus forcefully set worth in a recent address by Winston Churchill, the British Chancellor of the Exchequer:

"The infallible test whether any principle or method of finance was sound or not, was that in finance everything that was sound was disagreeable. Whenever there was any method or expedient in finance which it was easy and pleasant to adopt one might be quite sure it was unsound. When one adopted unsound methods of finance he got the pleasure at the time and paid the price afterwards. When sound methods were adopted one paid the price at the time and got the reward afterwards."

But in America we have changed all that. Saving has been made easy and pleasant by putting before the mind of the prospective saver the allurements of spending what he saves. Thus we have Christmas clubs, saving for the vacation, the trip to Europe, etc. No doubt "save for summer furs, for wrist-watches, and for the movies," would also strike a popular chord. But not all these slogans are to be despised by any means. "Save to buy a home" or "to educate yourself," and others that might be mentioned, represent entirely praiseworthy objects of present self-denial.

Perhaps this new philosophy of saving finds warrant in that trait of human nature which makes it difficult to get much satisfaction out of benefits that seem far away, and the natural tendency of mankind to prefer the pleasant rather than the unpleasant. Religious teachers are acting on this principle. They hold up for admiration the present rewards of right living rather than the terrors of eternal damnation.

Probably what should constitute the strongest incentive to saving has never received much attention. That is without saving we should lack the capital whose assistance lightens human effort and multiplies its productive power. This is the great service which saving has rendered to the human race—a fact of which the average saver is probably ignorant. If he knew about it his desire to save would hardly be stimulated by the knowledge. The individual saves for himself, not for the human race.

One might decry the new philosophy of saving as being contrary to that development of character which sacrifice brings, but if he turned to the statistical tables his arguments would be confounded by the fact that savings were never so great as now. Possibly some disciplinary value of sacrifice has been lost, but the new philosophy of saving is proving its attractiveness.

GIVE A THOUGHT TO BANKING

THE interval yet to elapse before the assembling of the Sixty-ninth Congress for its final session should be employed by the bankers of the country in giving some very serious thought to banking conditions and tendencies. Especially before giving their assent to the McFadden Bill, which authorizes branches of national banks and the renewal of the Federal Reserve Bank charters, they should deeply consider whether or not this measure will afford the alleviation which the present situation demands.

Branch banking, even within the restrictions which the McFadden Bill would impose, would mean further banking expansion; and there are indications just now pointing to the contrary policy as the more imperative. There are, undoubtedly, a few large banks that could extend their city branches without much danger, though if other weaker banks did the same they might seriously impair their strength.

The point has been urged that it was necessary to confer the branch privilege upon national banks lest they be outstripped in their race with state banks that have this privilege. But at the rate at which branches and "offices" of national banks are being established in the larger cities, it is difficult to discover why there should be any haste for legislation of this kind, except possibly to give the sanction of law to a practice that has grown up without such sanction.

Statistics have been presented elsewhere in this number of THE BANKERS MAGAZINE indicating quite clearly the need of better banking, and to that end the bankers of the country should turn their thoughts. Very likely any remedy that will prove effective must be supplied by the bankers themselves rather than by Congress or the state legislatures. Whatever may be the merits of branch banking, they are hardly applicable to the present situation.

The Federal Reserve System deserves equal attention before the charters of the Federal Reserve Banks are renewed years in advance of their expiration. Before these charters are extended careful consideration should be given to some features of the Federal Reserve Act—the compulsory lending of all of a bank's legal reserve to the Federal Reserve Bank, the effect of issuing Federal Reserve notes against gold, the kinds of paper that have become eligible for rediscount, etc.

Evidence is lacking that the Federal Reserve Act, with all its great benefits, has made banking safer; and that should be a first consideration in all banking legislation.

WHAT'S THE MATTER WITH AMERICAN BANKING?

LOOKING merely at the vast aggregate resources of our banks, the splendid services these institutions are rendering trade and industry and in the promotion of thrift, and taking into further consideration the undisputed fact that the great majority of American banks are in excellent condition, the obvious answer to the above question would be, "nothing."

But looking only a little below the surface, a different reply might be made. The fact is that, in recent years at least, bank failures in this country have been altogether too frequent. And in this connection the following table, taken from the Report of the Comptroller of the Currency for 1925, showing the failures of state and national banks in each of the years 1914 to 1925, will be found instructive.

BANK FAILURES IN U. S.—1914-1925

	State banks	National banks
1914	53	21
1915	57	14
1916	23	13
1917	15	7
1918	12	2
1919	35	1
1920	32	5
1921	263	28
1922	306	33
1923	202	37
1924	699	138
1925	421	102
Total	2,118	401

In considering these figures it must be borne in mind that the state banks greatly exceed the national banks in number. For example, the Comptroller's Report for 1925 gave the number of banks reporting as of June 30 of that year as 8072 national banks and all other banks, 20,769. These latter figures included the mutual savings banks, loan and trust companies and private banks.

A significant fact about these statistics is found in the great increase of failures since 1920. In 1914 there were fifty-three failures of state banks, fifty-seven in 1915, and in 1918 only twelve. At no time until after 1920 did the number reach the maximum of fifty-seven in 1915. But in 1921 the number suddenly leaped up to a total of 263. In the following year it was 306, and 202 in 1923. The next year marked the high point of this period—699—when there was a decline to 421 in 1925.

National bank failures ranged from a low of one to a high of thirty-seven from 1914 to 1923, but in 1924 the number rose to 138, falling to 102 the next year.

It is known that the large number of failures from 1921 onwards arose chiefly from agricultural depression in certain parts of the country. From 1914, when the Great War began, until 1918, when it ended, the failures were comparatively few, and they did not rise to serious proportions until after the collapse of the post-armistice trade expansion.

But a still more significant fact remains to be stated. It is found that from 1914 to 1920 the aggregate failures of both state and national banks were only 290, while from 1921 to 1925 they reached the surprising total of 2229.

If the failures were due in the main, as seems to have been the case, to agricultural depression, one cannot escape the conclusion that this cause still operates to keep up the high rate of bank mortality. The comparative immunity from failure, which marked the period between 1914 and 1920, was due to the stimulus given to agriculture on account of the war demand. This stimulus created a false prosperity and led to the enormous expansion and speculation which undoubtedly finally increased the bank failures from 1921 to 1925.

It might be supposed, however, that the post-armistice situation had been fairly liquidated by now. But the depression in agriculture which has been brought about by the reduced purchasing power of Europe still remains; and until this unfavorable factor disappears, we can hardly look for a brightening of our agricultural outlook. Should farming remain in a depressed condition, the annual number of bank failures may be expected to remain at a high figure. This conclusion rests upon the assumption that the excessive bank mortality of recent years was due to agricultural depression.

So far, during the present year, the outlook for greater longevity among the banks is not good. Within a recent month failures have perilously approached the 100 mark. Most of these failures were due to special weaknesses, and cannot properly be ascribed to agricultural depression.

Making due allowance for the influence of this factor, it is probable that bad banking is to be held accountable for the excessive bank mortality of recent years. If the banks that failed because of the depression in agriculture were justly chargeable with fostering undue expansion in that industry, they are themselves to blame for the fatal results of their bad judgment. In discussing the causes of bank failures in his Annual Report for 1925, the Comptroller of the Currency says:

"For, after all, the facts remain 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 bank's funds without incurring disastrous losses."

In other words, the banks that were properly managed did not fail. And unless banks are managed by incompetent or dishonest men they never fail.

If American banking is to be made better, the dishonest and incompetent must be prevented from getting into the banking business, or at least put out of it immediately on discovery of their dishonesty and incompetence.

How can this be done? Plainly the remedy does not lie in more legislation. No country in the world has so many restrictive banking laws as are found in the United States. Nor can much be expected from stricter official supervision. The record of the past gives little hope for believing that Comptrollers of the Currency and State Bank Supervisors will exercise that effective scrutiny over banking operations which is essential to safe and efficient banking. Conceding to Governmental supervision of banking all the credit to which it is fairly entitled, it must be admitted that it does not furnish the essential protection demanded

The safe and efficient conduct of banking in this country cannot be attained until the operation of all banks is subjected to the constant scrutiny of bankers acting in an organized capacity. All banks must be brought under a system of inspection analogous to that existing where clearing-house examination is in effect. A plan that would comprise such inspection was devised in California some years ago, and might well receive the careful study of the American Bankers Association during the Los Angeles meeting.

The great majority of our banks, both city and country, are sound, and are managed honestly and efficiently. But in recent years bank failures have been increasing at an alarming rate, and it is the tendency for the distrust caused by numerous failures of weak banks to spread until even the soundest institutions come under suspicion. It would be most unfortunate if incompetent and reckless banking should be allowed to go on unchecked until the results tended

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DEPOSIT GUARANTY IN KANSAS

By F. S. Wettack

Another chapter of failure has been added to the history of deposit guaranty schemes. The Depositors' Guaranty Fund of the State of Kansas will soon exist only in the sad memory of depositors in closed insolvent state banks. This final chapter in the guaranty situation in Kansas is a consequence of a decision rendered by the Supreme Court of Kansas, April 10, 1926, in State vs. Bone, Bank Commissioner. The case involved an interpretation of the provisions of the Kansas Guaranty Act relating to the withdrawal of banks from the guaranty system.

This litigation grew out of the need for some authoritative determination of the issues between the depositors in closed guaranteed banks and the solvent operating member banks in the guaranty system. Under the existing conditions such depositors must suffer large losses, or such losses must be sustained by the solvent member banks. The guaranty fund was in no position to cope with the losses which had been charged against it. Its condition was described in the briefs in the case:

"The whole scheme is hopelessly and irretrievably bankrupt, and can never be made to pay out—even the interest on its obligations. . . . All this means that if this $6,000,000 (the estimated net liability of the operating guaranteed banks to the fund) is a fixed charge on present member banks, no one of them which desires to liquidate and retire from business can do so in less than twenty years certainly, nor in less than one hundred-forty-four years almost as certainly, nor before the end of eternity in all probability."

The rights of all the parties were shrouded in the gloom of a very loosely drawn guaranty act. There was reasonable ground for contending that the guaranty act fixed a personal and absolute liability upon the solvent operating member banks, to pay the claims of all depositors in the closed insolvent guaranteed banks. The act, however, also contained vague provisions covering cases where member banks desired to withdraw from the guaranty system. The question, to what assessments a withdrawing bank would be liable, was not definitely answered. The controversy centered upon this point.

LIABILITY HELD LIMITED TO BONDS PLEDGED

A friendly action to determine these points was brought in the supreme court. Seventeen withdrawing banks, sustaining various relations to the guaranty system, were defendants. The supreme court held that "The liability of member banks under the guaranty act is limited to the bonds pledged. There is nothing in the act which creates a personal liability on member banks."

As a result of the decision, the widely heralded slogan, "The deposits of this bank are guaranteed by the Depositors' Guaranty Fund of the State of Kansas," has lost its potency. Deposit guaranty has failed in Kansas as a preventive or curative for the ills of banking. The first feverish days of the deflation period disclosed its true character as a mere sedative. Successive shocks of that adverse period proved that the nostrum, "deposit guaranty," had lowered the resistance of the member banks. One out of every ten guaranteed state banks in Kansas closed its doors.

The effect of the decision is to shift substantial losses from the solvent operating member banks to the depositors in the closed insolvent banks. The decision has caused the bank commissioner's office to be deluged with notices of withdrawal from the system. By exercising their rights to withdraw from the system, the solvent member banks will lose only the amount of bonds pledged to secure payments of the assessments. The amount of bonds pledged by each bank, for this purpose, is ½ of 1 per cent. of its deposits. The total amount of bonds now pledged is $1,000,000.

The liabilities of the guaranty fund to depositors in failed banks cannot be definitely ascertained. The amount to be realized from the salvage of the assets of the failed banks must first be determined. The net liability of the guaranty fund to depositors—assuming the impossible theory that there will be no more failures—is variously estimated from $6,000,000 to $8,000,000. For the payment of this amount there are $1,000,000 in bonds pledged with the state treasurer.

The gist of the decision of the supreme court is that the banks may withdraw from the system by forfeiting these bonds, and that thereafter they will be forever discharged from any further liability to the guaranty fund.

A REVIEW OF THE SYSTEM'S HISTORY

A review of the history of the Kansas guaranty system shows that it was initiated in 1909. It owed its birth to the banking distempers suffered in the 1907 period. It was enacted in substantially the same form in a number of mid-western states. Under the Kansas plan, membership in the guaranty system was optional. About 700 banks of the 1200 state banks joined the system. Each member bank was annually assessed one-twentieth of its deposits, until a guaranty fund of $500,000 was paid in to the state treasurer. Thereafter, as the fund was depleted by the payment of losses, additional assessments at the same rate—not exceeding five in any one year—were to be levied. To secure the payment of these assessments, each member bank was required to pledge bonds equal to ½ of 1 per cent. of its deposits with the state treasurer.

Upon the failure of a guaranteed bank, depositors received certificates evidencing their claim against the guaranty fund. The assets of the bank were then liquidated and the amount thus realized paid to the depositors. Any deficiency was paid from the guaranty fund. Claims against the guaranty fund bear interest at the rate of 5 per cent. The collection of the assessments and the administration of the guaranty system devolved upon the bank commissioner. The extent of the responsibility of the state—notwithstanding the constant emphasis of the words "State of Kansas" in guaranty literature—was merely that of bookkeeper and office manager for the system.

The guaranty act expressly disclaimed any guaranty on the part of the state. It provided that:

"Any bank guaranteed under this act which shall display any card or other advertising tending to convey the impression that the deposits of the bank are guaranteed by the State of Kansas, either directly or indirectly, shall disqualify the bank from further participation in the bank depositors' guaranty fund, and forfeit its bonds deposited with the state treasurer for the benefit of such fund."

Nothwithstanding this prohibition, undue emphasis was constantly given to the role the State of Kansas played in the guaranty system. The war cry of the guaranteed banks, printed upon all checks and constantly advertised, was "The deposits of this bank are guaranteed by the depositors' guaranty fund of the State of Kansas." Through this constant linking of the State of Kansas with the operation of the guaranty system, the uninformed gained the unfounded assurance that the State of Kansas actually guaranteed the payment of all deposits in the guaranteed state banks.

At the outset, many national banks feared that the so-called guaranteed state banks would greatly encroach upon the business of the national banks. The guaranty act made provision for national banks entering the system. The Supreme Court of the United States, however, declared that the national banks were without authority to incur liability to such a fund. Thereupon, the national banks organized an insurance company, owned by the stockholders in national banks, for the express purpose of insuring deposits in national banks. Many Kansas national banks took out this form of insurance to meet the anticipated competition of the guaranteed state banks. A few years' experience showed, however, that the "guaranteed" state banks were not, by virtue of their guaranty feature, encroaching in any large measure upon the business of the national banks and the deposit insurance feature of the insurance company was discontinued.

RIDING ON THE TIDE OF PROSPERITY

The guaranty system enjoyed smooth seas for its first ten years. With constantly advancing commodity and land values, there were no failures and banks enjoyed good profits. The immediate effect of the guaranty system was to increase the number of state banks. The guaranty theory was that all guaranteed banks were rendered safe depositories. The money capital of the stockholders, or banking temperament, or banking experience, were not recognized as the essential factors in successful banking. In dotting the state with large numbers of state banks, there was utter disregard of whether the various communities required additional banking facilities. The spirit of the Kansas guaranty law was—"Get a charter, get guaranteed, pledge bonds and effectively compete for deposits on an equal basis with long established, successfully managed banks."

To procure a charter was easy; to enter the guaranty system required merely an application, and the amount of bonds required to be pledged for $1,000,000 of deposits was only $5000. This was a simple method of placing a newly organized bank on an equal footing with the established banks. It effectively appealed to those desiring to reap the large profits which were supposed to be enjoyed in the banking business. The result was that the state soon had too many banks and too few bankers. The influence of the guaranty system in developing this situation was preeminent. Kansas soon had one bank for every 1440 inhabitants, as against one bank for every 7300 inhabitants in the New England states. The lesson of Kansas in this respect merits the consideration of framers of future guaranty laws, if in another generation the movement should be revived.

The first few failures following the depression of 1920 exhausted the guaranty fund. Nothwithstanding the fact that the assessments were made as by law provided, the fund has been wholly inadequate to discharge its liabilities.

The system has run its course and has collapsed. From every angle it has been a disturbing element in banking circles in Kansas. If its collapse deters other states from entering upon such ill-founded schemes, the Kansas experiment may have served a good purpose and be worth what it has cost depositors in the closed guaranteed banks. The experience of Kansas adds further testimony to that of other states as to the futility of state-administered guaranty schemes.

For the Kansas guaranty system—as well as the systems of other states—to have been successful, would have required the repeal of all of the fundamental economic laws and the well established rules of success in any calling. The system is distinctly socialistic in principle. It argues that the panacea for banking ills is the linking of the weak banks with the strong. The practical effect of this, instead of raising the standards of banking in the weak banks, is to lower the standard of the best banks.

PLACING A PREMIUM ON GOOD MANAGEMENT

The system entirely ignores the principle that the medicine for the ills of banking is in individual excellence in each bank. Under the Kansas guaranty system mediocrity in banking was to be rewarded on an equal basis with excellence. The system's unworthy intent was to give to the weak, poorly managed banks the same reward as those conservatively and skilfully managed. Its main appeal was to the incompetent and inexperienced banker. As under the theory of the Kansas guaranty law all banks were to be equally safe as depositories, there was a tendency to weaken the incentive for gaining a real character for careful banking. There was, in effect, complete agreement among the advocates of the guaranty law that it was entirely feasible to place the control of a well managed bank in the hands of incompetent and inexperienced bankers. This was the practical immoral effect under the system whereby the losses of one bank were to be visited upon another bank without giving the latter bank any voice in the former bank's affairs.

The guaranty system was an attempt at a system of insurance, without the necessary insurance safeguards. The premiums were not based on the hazards of the risk. There was one low premium for all classes of banks. The reserve required to be maintained was trivial. The plan held in principle that deposits would be attracted by reason of membership in the guaranty system, rather than on the basis of skilful, conservative banking. The principle that banking is a highly specialized activity was ignored. The plan assumed that a farmer, doctor, merchant, lawyer, baker or bookkeeper, without banking capital, banking temperament or experience, and regardless of the need of additional banking facilities in a community, could, with the aid of the guaranty system, operate a bank safely. Many such banks, so organized and managed, attracted large deposits through the impression gained by the public that the State of Kansas guaranteed these deposits. The deposits were frequently loaned with great liberality. Disaster naturally overtook such banks and the effect of the disaster was passed on to the well managed guaranteed banks.

The guaranty act contained nothing designed to prevent losses; its aim was to repair losses. The bad effects of the guaranty system were not confined to member banks. The large deposits frequently attracted by guaranteed banks were often loaned liberally, in the light of the inexperience of their management, in competition with conservative banks. As liberal lending is always popular with the borrowing public, such banks attracted a large following. The effect was to lower the morale of all banks. The wide spread failures among the guaranteed banks, created a distrust of all banks. Abnormally large reserves had to be carried and income was thereby reduced.

The situation in Kansas was further complicated by the fact that the guaranty act was drawn and administered, not by skilled actuaries and bankers, but largely by persons chosen for political reasons.

A PROPHET WHO SAW THE LIGHT

The present day student of the question now has the advantage of actual history. As an early prophet of the danger of such measures, W. M. Peck, president of the Cloud County Bank of Concordia, Kan., and in 1909 president of the Kansas Bankers Association, deserves special mention. In his 1909 address to the convention of the Kansas Bankers Association, Mr. Peck, with a keen vision, outlined the course of events which would flow from the enactment of the Kansas Guaranty Law, as follows:

"There remains but one other subject concerning us as bankers which I desire to speak of. In Kansas we have

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BUDGETARY CONTROL OF THE BANK'S EXPENSES

By Hugh Leach

UNTIL recently business men and the public generally have been prone to associate the term "budget" with governments or subdivisions of governments. The standard dictionary defines a budget as "a statement of probable revenue and expenditure and of financial proposals for the ensuing year as presented to or passed upon by a legislative body." There has been a great deal of discussion in newspapers and magazines relative to state and city budgets and to the National Budget Act passed several years ago, but very little literature on the business budget is to be found.

Within the last few years business concerns have begun to realize the importance of effective control over expenditures and the business budget is coming into general use. It is in the nature of an official forecast of the financial policy of the business for a future period, usually the fiscal year, and is based on a study of past performances and probabilities of the future. In its fullest development budgetary procedure may be extended to all phases of a business. In a manufacturing enterprise, for instance, there may be provided budgets for sales, advertising, production, purchases, plant and equipment, as well as an estimated balance sheet and an estimated statement of profit and loss. Such a budget is of material assistance to the executives in determining a definite administrative program and brings about a co-ordination of the activities of the various departments which would otherwise be lacking.

Having touched upon the possibilities of budgetary procedure, the rest of this paper will be devoted to a brief discussion of an expense budget for a bank, involving the preparation of estimates of departmental expenses, review and revision of estimates by the budget committee, and preparation of reports showing a comparison between the actual and estimated performances. It should be remembered, however, that conditions differ widely in different banks and that the purpose of this article is not to fix a standard budget for all banks but to point out the advantages and limitations of budgetary procedure and to outline briefly the methods used by one institution in the hope that they may prove beneficial to the many banks which have not yet adopted budgets.

PURPOSE OF THE EXPENSE BUDGET

The expense budget assists in securing internal control over expenditures. Costs can be used for purposes of control during the fiscal year rather than as historical information. Reduction of waste is encouraged by fixing the responsibility for all expenditures and by the spirit of competition which is created. Actual performances can be compared with standards set in advance.

One of the chief advantages in a budget is that it compels junior officials and department heads to familiarize themselves with all items which enter into the expense accounts of the departments under their supervision or control. This is especially important for the larger banks, for qualifications other than economy are considered in selecting junior officials and department heads. The budget system tends to fix the habit of close scrutiny.

While the purpose of the budget is to assist in controlling expenditures, it is

______________ BANK

TENTATIVE BUDGET

for the calendar year 1926

______________ Department

Items of Expense	Actual Expenses 1925	Budget for 1926
Salaries		
" Help lent (deduct)		
" " borrowed		
" Extra help		
" Supper money		
Traveling expenses		
Office and other supplies		
Printing and stationery		
Telephone (L.D.tolls only)		
Telegraph		
Postage		
Miscellaneous:		
TOTAL		

Prepared by	Approved and submitted by	Approved by
Department Head	Officer in Charge	Chairman Budget Committee

Form of tentative budget for calendar year.

intended to supplement, not replace, other methods of control. There should be an adequate purchase system, including approval by a purchasing committee of all purchases above a stated amount. Supplies should be held in a locked storeroom until requisitioned and the expense accounts should be audited currently by the auditing department. Too much should not be expected of a budget in a small institution, the executives of which are in a position to exercise a close supervision over expenditures.

Inasmuch as the success of a budget is dependent on a proper understanding of the system by all executives and employes concerned, it is advisable to reduce the entire procedure to writing in the form of a manual. The preparation of the manual usually falls to the lot of the comptroller or other official who is put in charge of the budget. The only other necessary step in organization is the selection of a budget committee from among the senior officers to review all departmental estimates and make such revisions as they think desirable. In this connection the committee may call on department heads to explain unusual variations. It is sometimes found desirable to supplement the manual by calling a conference of officers and department

_____________ BANK

SCHEDULE OF EMPLOYEES REQUIRED DURING THE TWELVE MONTHS ENDING DECEMBER 31, 1926

_____________ Department

Employees	Title of Position	Annual Salary January 1,1926	Remarks
STAFF JANUARY 1, 1926			
NEW EMPLOYEES REQUIRED DURING 1926			
Deduct			
EMPLOYEES TO BE RELEASED DURING 1926			
SALARIES FOR YEAR			

Form of schedule of employes and salaries for year.

heads and explaining the purpose of the budget and the plan of procedure.

PREPARATION OF ESTIMATES

As a preliminary to calling for tentative estimates the comptroller should attempt to prepare by units a report of costs of operation for a period of three, six, or twelve months to serve as a guide in estimating expenses for the period to be covered by the budget. This may be difficult with respect to some items of expense if it has not been the practice of the bank to accumulate costs by departments but, of course, such information will be available after the first year of operation under the budget. There should be at least as many units as there are heads of departments or divisions responsible for expenses in order that responsibility may be definitely fixed.

There is reproduced on page 296 a form for a tentative budget. Figures for past periods are inserted by the accounting department before the forms are distributed by the comptroller. Department heads are instructed to estimate their requirements for the budget period and to fill in the amounts in the proper columns. This is done in collaboration with the officers in charge of the depart-

_______________ BANK

MONTHLY REPORT OF DEPARTMENTAL OPERATING COSTS FOR JUNE 1926

_______________ Department

Items of Expense	1926 Expenses Month of June	1926 Expenses 6 months to June 30	1926 Budget 6 months proportion	1925 Expenses 6 months to June 30
Number of Officers	______	______		______
Number of Employees	______	______		______
Salaries	$	$	$	$
" Help lent (deduct)				
" " borrowed				
" Extra help				
" Supper money				
Traveling expenses				
Office and other supplies				
Printing and stationery				
Telephone (L.D.Tolls only)				
Telegraph				
Postage				
Miscellaneous:				
TOTAL				

Form of monthly report to show department operating costs.

ments. Department heads and officers are requested through the manual to make the estimates as nearly accurate as possible in the light of present and anticipated conditions without making any allowance for unforeseen happenings and to reduce estimates of expenses to the lowest minimum consistent with efficient operation. There is no merit in living within a budget which has been padded to take care of contingencies which are not actually anticipated.

All overhead expenses should be budgeted in the same way as departmental operating expenses so that the budget will include all current expenses of the bank. This division of the budget may be called "bank administration." Among the budget divisions of a certain bank are accounting and planning, auditing, bank administration, bank premises, non-cash collection, credit, safekeeping, discount, filing, legal, money, personnel, stationery and supplies, protection, registered mail, and transit.

In addition to the statement of past expenses which is supplied to the various department heads, it is advisable for the comptroller to furnish to each department head a form showing the names of the clerks assigned to the department

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BRITISH VIEWS ON THE ALLIED DEBTS

REVIVAL of the Allied debt question lends special interest to the British viewpoint relating to the American attitude toward this subject. In order that the British position may be understood by America, the following summary of a recent debate in the English House of Commons is presented, the report of the debate being taken from the London *Times*.

HILTON YOUNG'S VIEW

"I certainly do not think it is useful or helpful in these debates to exacerbate feeling by dwelling upon inequalities of sacrifice, but still the fact remains, and it ought to be mentioned, and it cannot be mentioned in a better or more vivid manner than it was by the Chancellor of the Exchequer in the last debate on this subject, when he said that within a short time all the money that has been received and paid for reparation will be drawn away to the United States, and go into the pockets of the United States, very largely at our own expense. That is the situation. I do not think it serves any useful purpose not to say at once that in that there is something amiss. What is amiss is this, that throughout we have looked upon these debts as implying something more than merely commercial debts, but in the United States they have been looked upon as implying nothing more than a strictly commercial basis.

BASIS OF DEBT REMISSIONS

"It may be said, and it is said as part of the United States case, that great remissions of debt have been made, and since great remissions of debt have been made by the United States, it cannot be justly charged against their policy that throughout they have regarded the debts upon a strictly commercial basis. I do not think that that answer is a good one. Whatever remissions of debt have been made have been made on the basis which is as commercial as the actual extraction of the debt—the basis of ability to pay. No commercial creditor extracts from his debtor more than he can pay, for that would mean the debtor's bankruptcy, and there would be nothing for the creditor. The remissions made on that basis have been made in as commercial a spirit as the actual enforcement of the debt. That treating of the debts has its implications. We really have to present the citizen of the United States with an alternative, and it appears to me to be this. Either in coming into the war the United States had with us a common cause, a common motive, and a common ideal. If they had then it was right and necessary that there should be some community of interest, a pool of interest, and if there was such a community and pool right and necessary, then it is impossible to deal with such debts contracted under those conditions on a strictly commercial basis.

WHY AMERICA ENTERED THE WAR

"What is the converse? It is this, that if you do deal with war debts upon a strictly commercial basis, that implies that there was no community of resources, right or necessary, and if that be so then the implication must be that the motive of the United States in coming into the war was not a motive of a common cause and common interest, but a mere mercenary motive of selling her services to the Allies. Which was the truth? Well, we know that the truth is that the United States came into the war because she had a common cause with us and common ideas. Her interests, her sense of humanity, were outraged by the submarine campaign. Her most important headings of national policy were outraged by the interference of the Germans in Mexico and in South America. But greater and deeper than that she came into the war because of her deep sense that the vital principles of democratic government and liberty were involved and at risk.

"If at this time there is a body of opinion in the United States which insists upon the strict commerciality of war debts, surely they are doing the gravest historical wrong to the reasons for which the United States came into the war. They are misrepresenting the true spirit of their great nation. It will surely be recognized that when we in this country for once in a way upon rare occasions say this about our post-war financial relations with that great trans-continental country, we are doing it in no spirit of appeal for compassion or pity. We have our difficulties, we have the vast expenditure of wealth, far greater than that of any other nation in the war, and the immense consequential difficulties in our million and a quarter unemployed; but we are prepared, and we shall ever be prepared, to face up to our direct obligations. It will be a very evil day when any British Minister goes cap in hand to the Government of the United States and asks for remission or for more favorable treatment of these war debts.

DANGER TO ANGLO-AMERICAN RELATIONS

"It is not for more favorable treatment that the matter is worth expressing, but for the sake of Anglo-American relations, which cannot be expected healthily to flourish in the future unless it is recognized on the other side of the Atlantic that there is a case, and a strongly-felt case, as to the moral implication in these matters held in this country, which must not pass entirely in silence.

"There is a little rift in the lute of Anglo-American relations. It is a rift that has been made by a small minority in the United States, as we believe, who make of the ledger a bible and of commercialism a god. We know that that is not the real feeling of the United States. We know that in course of time the true heart of that great people will express itself. But in the meantime there is the situation to be faced.

"One tie of friendship and understanding between the two countries has, I think, been a little loosened. It is the tie that might be the strongest of all, the tie of common memories of the war. If it has been a little loosened, it only remains for us to tie others stronger elsewhere, and if that field of friendship has been constricted to enlarge fresh fields of friendship elsewhere, lest we drift apart. It is quite certain that the two continents cannot do without each other. A great allowance has to be made on the one side for the pride of youth in the new world, and on the other side for the pride of age in the old world. When all these allowances have been made—and we must constantly make them—the truth remains that no race of humanity can possibly disregard the common moral sense of all mankind. We learned that lesson in the war; we learned it in the example of the terrible downfall of the military empires which tried to disregard the common moral sense of all mankind. If there be a small section in the United States that has not yet learned it, we may be confident that they will learn it in future as we in Europe have been taught it by our past."

VIEWS OF PHILIP SNOWDEN

Speech of Philip Snowden, former Chancellor of the Exchequer:

"The American debt settlement vitiated the whole situation in regard to inter-Allied debts. But for that settlement, the way would have been open for the complete cancellation of the debts. When we were bound to pay to America in the next sixty-two years something like £38,000,000 a year, we had to get something that would at least go a little way to meet those payments.

"The United States, unlike Mr. Churchill, were a very good hand at making a good bargain. In fifty years time, if these agreements still survived, America would be taking from Europe, on account of war debts, £80,000,000 a year. In other words, it would take a day's labor of 320,000,000 workers in Europe to pay this annual tribute to the United States. America, the richest country in the world, whose income, according to recent official figures, was increasing at the rate of £200,000,000 a year, whose capital wealth was increasing at the rate of £10,000,000,000 a year, and who did not come into the war until three years after the outbreak of hostilities, would be taking the whole of the reparation paid by Germany, and not one of the other Allies would be getting a penny. That was a position which could not permanently continue. It was not to the interest of the United States that it should. A feeling in that direction was spreading in the United States.

"It would be much better for the United States to do the generous and magnanimous thing, and not place upon this country, at least, the humiliation of having to go to her cap in hand begging for an alleviation of the terms."

WINSTON CHURCHILL'S VIEWS

Views of Winston Churchill, Chancellor of the Exchequer:

"In regard to the Anglo-American debt settlement, on the morrow of the Great War and the great victory, when President Wilson first came over to Europe and all the comrade-like sentiments were in all the breasts of the Allied nations, there was an opportunity to plead for the principle of equality of sacrifice which would take into consideration not only money spent, but the blood that had been shed, and also on the other side of the account the territory which had been obtained. But now that time has gone, and we have settled our debt with the United States.

"I do not think that it is any use our indulging in recriminations with the people or with the newspapers of the United States over that agreement which we have made, but I must refer to the statement which is attributed to Mr. Mellon, Secretary of the Treasury of the United States, in the newspapers this morning, because I think it would be a great pity if misunderstanding should arise on these points. Mr. Mellon is reported to have said in a statement which I understand was a written statement: 'It must be remembered that England borrowed a large proportion of the debt for purely commercial, as distinguished from war, purposes, to meet commercial obligations maturing in America, to furnish India with silver, to buy food to resell to the civilian population in order to maintain the exchange. American loans to England were not so much to provide war supplies as to furnish sterling for home and foreign needs, and to save England borrowing from her own people.'

CALLS MELLON STATEMENT MISAPPREHENSION OF FACTS

"There really is a complete misapprehension of the facts of the case, and so serious is this misapprehension that it makes me almost doubt the authenticity of the passage which I quote. But what are the facts? We are only dealing, let the Committee remember, with the period after the United States came into the war. There were no loans before then between the Governments. Great Britain, like all the other Allies, spent vast sums of money in the United States on food, as well as on shot and shell, but all the loans of the United States to the Allies were, by Act of Congress, specifically limited to the purpose of prosecuting the war. That was the language of the Act of Congress, and the United States Treasury required and obtained full justification for every cent that was lent.

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DOES THE TRAVEL BUREAU PAY?

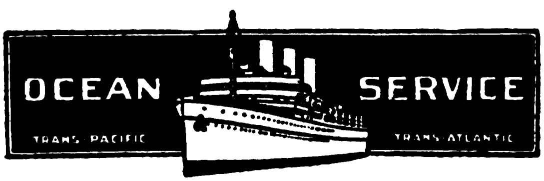
BEFORE the Great War, Americans had comparatively little interest in foreign travel. What travel bureaus existed in banks were "originally intended to take care of foreigners who could not speak the English language." The United States had avowed its intention to avoid "entangling alliances" as a nation, and the people individually followed this course. They were busy developing the resources of a new continent and building up their own personal fortunes. Even if they had wished to travel abroad, they had but little time or money with which to do so.

But the war made some foreign travel compulsory. About 1,000,000 Americans were sent to France, whether they wanted to go or not. Those who came back talked about the difference in life in that country and this, and are probably responsible for a good deal of the interest in foreign countries. Those who did not get to Europe during the war are naturally curious to see the places about which they have heard so much. And where is the man who does not some day want to go over the scenes of the greatest conflict in the history of the world?

Ignorance, too, was responsible for the apathy toward travel. Few Americans knew much about either the geography or the history of Europe. But the war changed all that. Though people still declined to read history in books, they continued to read newspapers, and during the war newspapers and magazines were full of European history, for only in it could one find a satisfactory explanation of the tremendous upheaval. Maps were published almost daily to show the line of battle, and American citizens, perforce, learned a good deal of geography through reading these maps.

THE GROWING EXODUS TO EUROPE

It is small wonder, then, with this stimulation of interest in Europe, that after the war there was a steadily growing exodus in that direction. The shipping companies helped the movement along by reduced rates to attract business, for it will be remembered that there



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Direct mail advertising in behalf of the travel bureau. The above is a reproduction of a card insert sent out with the bank's letters.

was a considerable decline in shipping after the war. The reduction brought European travel down within the purchasing power of the Americans who buy Ford cars, and thus opened up a whole new class of travelers. Then, when immigrant travel was considerably re-

The travel bureau in a New York bank.

duced by the imposition of the quota law, the steamship companies began to transform the third class into quarters suitable for college students, teachers and others of small means who are willing to suffer some minor discomforts to be able to make a trip to Europe.

This increase is not yet reflected in the statistics of foreign travel, for to date it just about compensates for the decline in immigrant travel. There are no signs yet of its abatement, for the rapidly changing conditions over there keep Europe constantly in mind, and those who have been there once almost always begin planning when they can go again. It is probable that this increased travel is a permanent thing.

THE BANKS' SHARE IN FOREIGN TRAVEL

The bank, always alert to take advantage of a change in popular sentiment, have capitalized this increased interest in travel. They have organized Save-to-Travel clubs, for the gradual accumulation of the amount necessary for trips, in the same way as the money for Christmas presents is accumulated gradually in Christmas Club accounts.

Another development, however, is the subject of this investigation. Much has been made of the idea of "service" in banking lately. The maxim "banks have nothing to sell but service" has been repeated so often that all kinds of free service have been offered to bank customers. Banks in agricultural regions hire a farm agent to advise their customers as a part of their "bank service." Commercial banks frequently offer "industrial service" in the shape of research into markets and prices to their customers. City banks buy tickets to base-ball games, theaters, etc., for country correspondents who are coming to town, all as a part of the "service" of the bank.

One of the forms which such "service" has recently taken has been the making of steamship and hotel reservations for customers of the bank who were going traveling. Some banks have established separate travel bureaus or departments to take care of this work. Others are considering the establishment of such departments. Recently, however, bankers have begun to learn that it is possible to offer too much "service." For it costs money—often more money than it brings in. The banks have found that it does not pay to encourage deposits indiscriminately. Instead, depositors that pay must be encouraged, and for others a service charge must be imposed. A bank, being not a philanthropic institution but a business, organized for profit, must take care that what service it renders shall pay for itself and yield a profit.

Hence the question has arisen in the minds of banks considering the establishment of a travel bureau—will it pay? That is, will there be sufficient income to pay its expenses, or will it bring in enough business to other departments to pay for itself indirectly? There has been no way of telling, without trying it, and that is rather expensive. For this reason THE BANKERS MAGAZINE sent out a questionnaire to a number of banks in various cities of the country which have been operating travel bureaus, to ascertain their experience, believing that this information would be of interest to those contemplating the establishment of such bureaus. This article summarizes the information gained.

Sample travel bureau letterhead.

THE CLIENTELE OF THE BUREAU

It must be understood, first of all, that the travel bureaus discussed herein are not those mentioned at the beginning of this article, for "the immigration laws which have been passed in the last few years have seriously affected the business and also the conditions as to making remittances. The volume of business has decreased considerably and the department no longer supports itself. . . In many respects this foreign department differs from the travel bureaus which are now being started by banking institutions, as they are intended in most cases to cater to a better class of travelers than this bank has been handling." The writer does not believe that a bank travel bureau catering principally to foreigners has any chance of success and, therefore, will ignore this class.

The travel bureaus referred to in this article are better described by a bank whose department was opened "less than four years ago, handling first and second class ocean passages only. An analysis of the business shows approximately 88

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GERMAN BANKS IN AMSTERDAM AND THE DUTCH DISCOUNT MARKET

By Gerlof Verwey

In an article in the June issue of The Bankers Magazine the writer made mention of the establishment of various German banks in Amsterdam in the years following the conclusion of the armistice. This movement of the big German bank interests to Holland was the natural result of economic conditions in Germany at the time. When German capital left Germany after 1919 to an ever increasing extent, to be invested in Holland and other neutral countries, the big German banks soon realized that a large field of activity would be opened up for them in Holland in connection with the financing of this capital-export and the investment of the capital thus brought into Holland. The German bank managers were all the more eager to extend their activities to Amsterdam, because they hoped to find in Holland a basis for international activities as a compensation for the loss in business they had sustained through the closing of their offices in the former enemy countries.

The Dutch from the very beginning have taken a hospitable attitude toward these German banks. Holland is one of the few countries in which branch offices of foreign banks are allowed to be established, almost without interference on the part of the authorities. Whereas most other countries have forbidden foreign banks from engaging in the business of deposit banking, and in a number of other banking activities, foreign banks which have established branch offices in Holland, may engage in every kind of banking activity and, in fact, enjoy the same privileges as Dutch banks.* By resolution of the stock exchange committee no foreign bank can become a member of the stock exchange. Foreign banks† were not, however, until recently, allowed to rediscount their acceptances with the central bank (De Nederlandsche Bank).

Soon after their establishment the so called "German banks"‡ at Amsterdam became financial institutions of no mean importance. Largely through their activity Amsterdam in a few years' time could rank as the most important market for foreign exchange on the Continent Even today the foreign exchange market largely depends on the business transacted by the German banks. Though their importance decreased somewhat, when, in 1923, after the stabilization of the German mark, much German capital invested in Holland returned to Germany (a few banks even had to liquidate) the German banks now can definitely be considered as a distinct element in the financial structure of Amsterdam, and it is only natural that these banks, which had been entered in the records as *Dutch* financial institutions, aware of their relative importance, sought to obtain the same privileges (rediscounting and stock-membership) which were enjoyed by the Dutch banks. It is particularly the rediscounting privilege

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*That it was exceptional for a foreign bank to establish a branch office in Holland, before the establishment of the German banks, is due to the fact that the domestic banks, highly organized and internationalized as they are, entirely fulfill the need for banking facilities, and also to the preference given by the public to the domestic over the foreign banks. (See report of the economic and financial committee of the League of Nations.)

†An exception has been made, however, in the case of the Banque de Paris et des Pays-Bas.

‡Legally the banks are Dutch.

which has raised a great deal of discussion.

DEVELOPMENT OF ACCEPTANCE BUSINESS

In Holland during and particularly after the war, the acceptance business developed greatly, and Amsterdam became a center for the financing of raw material shipments to and manufactured shipments from Middle Europe. The German banks realized that they—by reason particularly of their German and South American connections—would be the natural agents for the financing of these shipments. Prevented however, as they were, from rediscounting their acceptances, this kind of business was hardly attractive to them, and was almost entirely left in the hands of the Dutch banks and the so called "international banks," to which reference has been made in a previous article.

For the German banks therefore, the question of rediscounting was one of the highest importance, inasmuch as a large field of activity would be opened up to them in case of a decision in their favor. Over and over again the German banks emphasized the desirability of treating foreign banks on exactly the same footing as the Dutch. A long drawn discussion in the Dutch and German papers, ended with the decision of De Nederlandsche Bank, to the effect that acceptances of foreign banks, residing in Holland, would be eligible for rediscount with De Nederlandsche Bank, providing the following stipulations were adhered to:

1. The acceptor must be established in Holland, and must either be a Dutchman or must have been entered in the records as a Dutch firm or corporation.

2. The accepting bank before accepting must consult De Nederlandsche Bank as to the particular acceptance in question.

3. The bills must serve to finance imports into the country of the party in whose behalf the acceptance is given (extensions are ineligible, as are bills for financing exports from the country of the seller, for whose account they would have to be accepted; bills to finance warehouse staples are also ineligible).

4. If required by De Nederlandsche Bank, evidence must be submitted to the effect that the requirements mentioned above, have been met (the bank reserves the right to examine the books of the acceptor).

5. De Nederlandsche Bank must be informed of each bill, which in principle is eligible for rediscount immediately on acceptation. Date, amount and mark agreed upon, and also underlying merchandise transaction have to be stated.

6. The accepting party has to submit (to De Nederlandsche Bank) his financial statement and profit and loss account, regularly accompanied by a proper explanatory statement.

These stipulations in the main, are the same as those required from the Dutch banks.

EFFECTS OF THE REDISCOUNTING DECISION

The full consequences of this decision cannot as yet be seen. But a number of inferences may easily be drawn from the discussion and exchange of views, which preceded the decision, since the most prominent bankers of either side have given their opinion on the subject at great length.

All parties agreed that to the Dutch banker the rediscounting decision will certainly not result in any *direct* advantage. Formerly acceptance-credits, contracted in connection with the shipments to Middle Europe, were generally opened (in guilders) by the Dutch bank on the request of the German importer or of his German correspondent. Now that the German banks enjoy the full privilege of rediscounting, and therefore will be able to compete with the Dutch banks, it will not be difficult for them to attract the bulk of these credits which originate in Germany, the less so because the German bank, originating the credit, will often be the parent institution of the Amsterdam-German bank. A large field of financing, in which the Dutch bankers only started experimenting during the war and which has been highly profitable to them, will now, in large part, be taken away from them.

While it is true that the decision is not to the direct advantage of the Dutch banker, there is great difference of opinion as to whether the Dutch banking community or the country at large, in the long run, will benefit by the decision.

The German standpoint is that it will. The Germans have repeatedly pointed out—and this opinion is shared by several men prominent in the Dutch banking world—that the eligibility of the German bank's guilder-acceptance must tend to give the guilder-acceptance a wider circulation and will certainly contribute in reviving the Amsterdam discount market. The increase in the number of acceptances, which, as a result of the decision of De Nederlandsche Bank, may be thrown on the market, need not *in itself* bring about a greater *demand* for acceptances. Yet the development of other, now prominent discount markets, shows that a greater demand for acceptances is created gradually as familiarity with the acceptance increases, that it becomes recognized in ever growing circles as a desirable means of investment, whenever more acceptances are being created. It is to be expected, that through the activity of the German banks, the documentary acceptance will gradually become a familiar type of paper on the discount market, more familiar than the accommodation paper (not of the self-liquidating kind) which up to the present has played an important role on the Amsterdam market. If, in addition, greater stability could be given to the private discount rate (and by following the example of the Federal Reserve Banks, De Nederlandsche Bank could certainly do much in the way of regulating the market rate) many more funds for investment in acceptances might be attracted.

In this connection one might refer to the example of London. It is particularly on account of the free admission of the foreign banks in London and the many privileges they enjoy there along with the other banks, that the acceptance and discount markets have come to a development unequalled elsewhere and that the pound sterling acceptance could come to enjoy its present high reputation.

It is true that, in London, branches of foreign banks are not allowed to rediscount their acceptances with the Bank of England. However the Amsterdam-German banks, as has been pointed out, have been incorporated under Dutch law, and therefore offer a closer comparison to the English "limited company" with foreign shareholders, which enjoys the rediscounting privilege. Then, in London there has been created, an open discount market, large enough to absorb any amount of first class bank acceptances at any time, and acceptances of German banks, established in London, even if not rediscountable with the Bank of England, can at all times be sold in the open market, at a price slightly (one-eighth of one per cent.) less than the acceptances of native banks.

A market of this scope cannot as yet, be said to exist in Amsterdam. The custom of investing liquid funds in bank acceptances is almost entirely confined to banks and financial institutions and is not so widely spread in Amsterdam as it is in London or New York, where insurance companies, savings banks, trust companies and general trading companies invest large amounts in bank acceptances as one of the most desirable liquid means of investment. In Amsterdam it is at times difficult to sell acceptances and in a few cases there exist agreements between the banks to buy one another's acceptances if no other buyer comes forward. It will be remembered that the New York banks had to resort to the same practice when the acceptance business was still in its experimental stage.

The opponents of the new rediscount decision maintain that any attempt to extend the scope of the Amsterdam discount market by artificial means is bound to be a failure, and that a market can cnly develop in accordance with natural conditions. They contend that sellers of merchandise who for years have been accustomed to draw on their customers in pounds sterling or dollars, can never be induced henceforth to draw in guilders, however stable the market rate in Amsterdam is.

On closer analysis however, these contentions, the writer feels, can hardly be upheld. It is undoubtedly true that merchandise which for centuries has been financed through London, or which is at present financed through London or New York on account of the fact that these centers are geographically the most favored ones as far as the merchandise is concerned, will not be induced—by favorable discount rates, or by other financial facilities—to change London or New York for Amsterdam. On the other hand it has been shown in the past* and it may be hoped that it will be shown in the future that a number of articles, for which Amsterdam is favorably located and *yet* which are not financed through Amsterdam, will be financed in guilders as soon as the facilities offered are the same—or even better—than those offered elsewhere.† The private discount rate at Amsterdam has, on the average, for a long time been below that of both London and New York, a fact which, in the long run, cannot fail to attract the attention of foreign merchants and bankers.

It is quite evident that the German banks at Amsterdam, now that they enjoy in Holland a privilege which they do not enjoy to that extent in any other center, will exert their influence to spread the use of the guilder-acceptance. Operating as they do, a great number of branches in South America, it is not at all unlikely that they eventually will induce many South American exporters to finance their exports in guilders, to their own advantage, as well as to the advantage of the accepting bank in Amsterdam.

WHAT SOME AUTHORITIES PREDICT

Some authorities predict that if a wider circulation is given to the guilder-acceptance, acceptances of this type will be kept in the portfolios of the central banks of the various countries, from which the bills have been drawn. The opponents of the new policy cite this probability as a further reason for disapproval. They fear that these acceptances will be offered for rediscount with De Nederlandsche Bank or will be rediscounted in the Amsterdam market in case of any grave political or financial disturbance, times at which the presentation would be very inconvenient and might even further endanger the situation. In this connection they quote the disturbances in London in 1914 when the Bank of England was obligated to pay for its own account the acceptances of foreign banks and bankers residing in London, in order to prevent a panic on the London market*

The writer does not share these fears. In the first place, the foreign central banks will, in their selection of foreign acceptances, always discriminate against a one-sided investment in German guilder-acceptances, and will rather invest in guilder-acceptances of Dutch banks in order to spread the risk.

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*The writer refers to the Antwerp wool trade, which, owing to the fact that arrangements for cheap financing of wool shipments were made at Amsterdam, was largely directed to that place. Also the tobacco trade, as is well known, is almost exclusively financed in guilders.

†This also is clearly illustrated by the development of the New York acceptance market.

*In order to obtain repayment of the money, thus advanced, the Bank of England had, later on, to take an interest in several foreign banks, e. g., the Anglo-Austrian Bank.

CAPITALISM—OR WHAT?

By William English Walling

THE BANKERS MAGAZINE, in formulating its question, has unfortunately fallen into the new habit of the protagonists of capitalism the world over, of adopting, literally and without modification, the questions, the phraseology and the logic of the revolutionary radicals and socialists. In England, France and Germany the capitalistic conservatives have long been following the mental processes of their enemy. And now we have the same fatal tendency in the United States.

In the great Socialist debate in the British Parliament in the summer of 1923, when the Labor party proposed the immediate adoption of socialism in Great Britain, the chief conservative and liberal spokesmen, including Sir Alfred Mond and Sir John Simon, founded their entire argument on the socialist assumption that we are living in a "capitalistic system."

When you let your opponents formulate the question for you without criticism they have won half the battle—even when you take the negative of their proposition. No defender of existing institutions ever dreamed of calling the present society the "capitalistic system" until the socialists introduced this phrase—and they introduced it just because of their very reasonable confidence that no great modern people would vote to continue such a system if they ever came to believe it existed.

THE BANKERS MAGAZINE, like those other eminent defenders of things capitalistic, insists that the great question is "the preservation, the modification, or the complete overthrow of capitalism or the present capitalistic system under which the business of most of the leading nations of the world is now conducted." If it were aiming to magnify the importance of the socialist slogan—"the complete overthrow of the capitalistic system"—the question could not be better formulated. But if, as it says, it intends to deal with the "dissatisfaction" with the present society, the question is really quite another one, namely, whether "the present society" can be modified sufficiently to adapt it to "changing conditions."

SOCIETY IS NOT A "SYSTEM"

We are not living under a unified system, nor does it seem probable that we shall soon, if ever, be. We did not will our present society nor can we discard it for another. Our present society is not a system, nor is it capitalistic. It could be described quite as accurately as democratic or nationalistic. To be sure, democracy and nationalism could coexist along with capitalism, but the three things are not identical. They may work together, but they may also work against one another. If there was ever any doubt that these forces are not altogether in harmony, the war removed it. The tendency toward capitalism is strong in every country, but as yet capital rules nowhere—unless possibly in Italy.

Nor do we have complete democracy in any country, since democracy is everywhere checked, though by no means reduced to impotence, by the forces of capitalism. Nationalism in turn limits both capitalism and democracy, and still other forces work at cross-purposes and confusion in our so-called "system"—the propagandas of race, of religion and of revolution, for example. Millions of persons subordinate their economic and national interests and democratic principles for their cults.

One of the most absurd and repugnant features of the usual brands of socialism including the British, French and Russian varieties—is precisely their grandiose proposal to set up a "system" in the place of the complicated processes of social evolution and to establish a "new social order" at the expense of that measure of freedom, restricted but invaluable, that has been so gradually and laboriously developed under the varying conditions of the modern world.

Why should those who oppose revolution and set a very high value on the present society adopt the phrases of the superficial destructionist? Yet, that is what is being done every day, even in the leading conservative newspapers.

What is the future of our society if the destroyers alone have the brains and the energy to lead and to keep the offensive in popular discussion? Not only the phrases but the logic of the destructionists are adopted, namely, Marxist dialectics: you must choose, this or that, black or white, or at the broadest a mixture of black and white.

This was, of course the reasoning of the schoolmen of the Middle Ages and of metaphysicians before the maturity of modern science, say half a century ago. It is totally obsolete from the standpoint of modern evolutionary science. We no longer choose between two a priori abstractions or a mixture of the two. We no longer choose between forms of society at all, we only observe; and we observe that society evolves, not simply from one "system" to another, but in an extremely complex manner.

If by capitalism we mean not the "present system of society" but that complex of economic activities and institutions operated on a purely economic basis and comparatively independent or governmental and other extraneous influences, then *this* capitalism represents a tremendous force in modern society and it is of the utmost moment to determine whether it is growing relatively stronger in comparison with other social forces. That this *economic* capitalism is growing stronger absolutely (not relatively) is evident; its rate of growth has been mightily accelerated by the war. But it also provides, at an accelerated pace, the means and the leisure for the development of all the other social forces of our time, for democratic, nationalistic and revolutionary organizations and for all the propagandas.

Possibly this capitalism in production may be getting *relatively* stronger also; possibly not, for the rival growth of governmental economic activities, though slowing down, just now, probably still shows a balance of advance since the war. But whatever may be the case with production, the consumption of wealth (the use of leisure) is more and more developing social forces that are non-capitalistic, and in certain contingencies anti-capitalistic. The chief of these non-capitalist forces is undoubtedly political democracy.

POLITICAL DEMOCRACY POWERFUL ENEMY

Political democracy places the man as a whole above the economic man and the general welfare of the average citizen above the interests of economic capitalism, i. e., above the economic structure as above defined, though democracy neither ignores the supreme importance of that economic structure, nor attributes to it all existing social ills, nor seeks to turn it upside down or inside out according to a few crude abstractions, after the manner of the socialists. Political democracy brings together all those elements of society which do not want to see economic capitalism become *relatively* stronger. Political democracy is determined that we shall never have any capitalist political system and is confident that social forces now visibly and powerfully at work not only will prevent that outcome but are carrying us in quite the opposite direction.

The signs of the waxing power of

democracy and of the waning power of capitalism are numerous and to name only two of them may give an erroneous impression that these are the only signs of the first importance. But illustrations are indispensable and I must take the risk.

First, in every country of the world new political parties and blocs are developing which, unless they are defeated will destroy all hope of the establishment of capitalism—as every protagonist of capitalism fully realizes. And there is no indication that they can be defeated.

Second, in every modern country great wealth is now recognized as a social injustice and a social evil and taxation is enacted largely for levelling this wealth and bringing it into the hands of the public. Perhaps President Coolidge is the first statesman on earth to call this Roosevelt-Wilson taxation policy socialism. If it be socialism, let him make the most of it. If it be socialism, then the entire world is far on the road to socialism. But, in fact, it is only social-democracy. It is not directed according to socialist principles against private property or private enterprise, but against the menace of capitalism or a capitalist system of society. Whether the *indirect* effects of the maximum taxation of the rich are those beneficial effects attributed to it by Wilson and Roosevelt, or those deleterious effects attributed to it by Coolidge and Mellon, the levelling of great fortunes is its first effect. It is a splendid illustration of the determination of modern democracy that, whatever society we are to have, it shall not be capitalism.

The only real and formidable enemy to the establishment of a capitalistic system of society is democracy. And this is undoubtedly the very reason why the proponents of a capitalist order speak of revolution as the enemy. They prefer, no doubt subconsciously, to feature as opponents the weak and futile revolutionists and to draw public attention away from their real and formidable enemy, democracy. Hence the growing practice of ultra-conservatives of sharing their platforms and publications with the ultra-radicals.

The present society—which is not capitalism—is being steadily modified in an anti-capitalist direction. That modification should and will continue. The war showed what can be done against capitalism, even though some of its experiments were uneconomic and temporary. The quiet and legal expropriation of 90 per cent. of the mobile capital of Germany and similar expropriations in other countries, the heavy taxation of excess profits and of large incomes and inheritances, the successful fixing of rents during long periods, the control over the prices of certain commodities by controlling exports or imports, governmental subsidies in the form of cheapened transportation or financing, and many similar measures which were adopted, or reached a new scale or degree of development during or since the war, all show that capitalism can be both controlled and dominated without socialism, i. e., without the abolition, or any approach to the abolition, of private property or private enterprise.

ANTI-CAPITALIST MOVEMENT STEADY

The world is moving away from capitalism, but it is not moving toward socialism, at least not in the accepted sense of government industry. Governments are increasing their economic functions slowly but steadily and in many directions. But it is the aim of nearly all of this legislation to interfere as little as possible with private initiative and private responsibility. No doubt all economic legislation does interfere with private initiative and responsibility to some extent. But that is incidental: the sincere aim of all this democratic but non-socialist legislation is to control industry only gradually, to a limited degree and always from the periphery and not at the center. In this aim it is largely successful.

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BANKING AND COMMERCIAL LAW

Drawer of Check Discharged by the Delay of Presentment, Knauss v. Aleck, Supreme Court of Iowa, 209 N. W. Rep. 444.

THE owner of a check must present it to the bank on which drawn within a reasonable time after he receives it, in order to charge the drawer of the check for liability. No presentment is required, however, where the deposit against which the check is drawn is insufficient to pay it. In such circumstances the drawer has no right to expect the check will be paid upon presentment and presentment is, therefore, excused. But this exception does not apply where there is an agreement between the drawer and the bank that the check will be paid upon presentment, notwithstanding the lack of funds.

The neglect of the holder to present the check within a proper time, in a case where presentment is required, results in discharging the drawer from liability to the extent of any loss suffered as a result of the delay. Such a loss occurs where the drawee bank fails before the check is presented, there being on deposit funds to pay it.

These rules were applied in the present case under the following circumstances: the check was delivered by the defendant, the drawer, to the plaintiff at Logan, Iowa, the town in which the drawee bank was located. The plaintiff held the check six or seven days and presented it for payment just after the drawee bank had failed. It appeared that the drawer's deposit was insufficient to pay the check but that an officer of the bank had agreed that it would be paid upon presentment.

It was held that the plaintiff had not presented the check within a reasonable time and that the drawer was therefore discharged from liability to the extent of the amount which he had on deposit at the time of the failure.

Action to recover on a check issued by defendant to plaintiff. The jury was waived. The court held that the plaintiff was entitled to recover, and entered judgment accordingly. Defendant appeals. Reversed and remanded.

ALBERT, J. This case was submitted on the following statement of facts: It is stipulated and agreed that the only question to be determined is whether or not the appellee exercised due diligence in presenting the check sued upon for payment at the State Savings Bank of Logan, Iowa, the bank upon which the check was drawn. In this connection it is agreed that the check was dated May 14, 1923, and that there was some mistake in the terms thereof; that the check was corrected in its terms on the 18th of May, 1923, after banking hours in the Town of Logan; that said appellee took the check home with him to his farm, and the same was not presented to the State Savings Bank of Logan for paymen until after the said bank had closed on the 25th of May, 1923.

It is further stipulated and agreed that the appellant, at the time the bank closed, had an account with said bank which lacked sufficient funds to fully cover said check, but that appellant had made an arrangement with D. E. Cottrell, an officer of the bank, under and by virtue of which the said Cottrell, acting for and on behalf of said bank, agreed on the part of the bank to honor the said check and to pay the same when presented.

It was further stipulated that the only question to be determined by the district court was whether appellee was negligent in presenting said check for payment, and, if the court found that said

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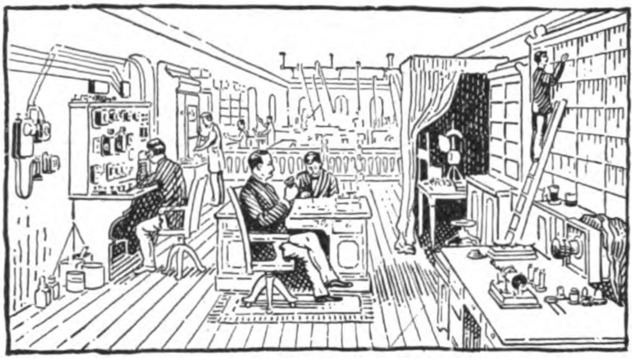

WHAT'S THE MATTER WITH AMERICAN BANKING?

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to impair confidence in our entire banking system. To prevent such an outcome of present tendencies it will be necessary for the bankers themselves to form effective organizations, of which all banks are members, and from whose ranks the dishonest and incompetent banker will be rigorously excluded.

DEATH OF MR. WEEKS

AMERICAN public life lost a faithful public servant in the recent death of Hon. John W. Weeks. In his career he typified the history of many of his countrymen who began life, as he did, on a farm, and gradually rose to eminence in business and politics. From the New Hampshire farm where he was born Mr. Weeks went to Annapolis Naval Academy, where he graduated, served for a time in the United States Navy, was in railroad business in Florida, and gradually gained political distinction in Massachusetts, where he had gone to reside. From alderman and mayor of Newton, in that state, he went to the House of Representatives, and to the United States Senate, and then became Secretary of War, which post he held until compelled by ill health to relinquish it

Prior to his entrance into politics in a large way he had, as he expressed it, "been fortunate enough to make some money." His business activities included membership in the firm of Hornblower & Weeks, and the vice-presidency of the First National Bank of Boston. When he went to Washington he felt it inconsistent to retain his business connections, and they were given up. Henceforth he devoted his time and abilities to the public service.

As member of the Banking and Currency Committee of the House, and member of the National Monetary Commission, Mr. Weeks gave special attention to the study of banking and financial questions, and became a recognized authority on these subjects.

In the cabinets of Presidents Harding and Coolidge he proved an able head of the War Department, and his retirement was received with general regret.

Not only had Mr. Weeks reached the high distinctions mentioned, but he had received important support for the Presidency—a position for which his character and abilities amply qualified him.

John W. Weeks represented the best type of American public servant. He had sound business views, based upon study and experience. His conscientious devotion to duty was beyond question. It would be a benefit to the country if more bankers of his character and qualifications entered upon the public service.

OUT-OF-TOWN CHECKS

AT a meeting of the New York Clearing House Association on July 7 a resolution was adopted, effective August 2, making discretionary with member banks any charge for exchange on out-of-town checks, payable in the United States. For a number of years these charges have been compulsory for all members of the association. As a result of other cities having no such charges considerable business has been diverted from the New York banks. Furthermore, because of the compulsion these institutions were under of making the charge, they were denied the advantage which might have accrued had they been permitted to use their discretion, according to the size and nature of the account. Manifestly, a large cash account, or one made up of checks on city or near-by points, and having but few out-of-town checks, is on a quite different footing from a comparatively small account composed largely of the latter sort of items. No doubt the discretionary rule is difficult to comply with, for it

leaves the matter open to competition between the banks.

Under the new rule, in most cases, the banks will probably apply the practice now in force by the Federal Reserve Banks, which is not to make any charges on checks that can be collected at par. The banks will thus render a service to their depositors in making free collection of such checks for them, and the drawee banks will receive a benefit in having a wider free circulation given their checks. It remains to be seen, if in the majority of instances they will consider this benefit a sufficient offset for the exchange charges they must forego. Experience has shown that many banks look upon this charge as an important source of revenue, and one they are not disposed lightly to surrender.

The action of the New York Clearing House in this matter gives the member banks greater freedom in serving their dealers. If their offer to collect checks without charge is reciprocated by the drawee banks in remitting at par, the usefulness of bank checks will be still further enlarged.

BUDGETARY CONTROL OF THE BANK'S EXPENSES

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as of the first day of the year to be covered by the budget with their annual salaries as of the same date, and providing space for entry of the title or duties of each clerk, as well as estimated additional requirements or releases. The department head, after completing the information requested, totals the annual salaries, taking into consideration additions and releases. This total will agree with the amount of salaries included in the tentative budget. No allowance is made for possible increases in salaries during the year. A copy of this form is attached to the tentative budget before delivery to the comptroller.

In order that a department may obtain credit for help lent temporarily without actually transferring an employe on the records of the bank, the items "salaries—help lent" and "salaries—help borrowed" are included in the budget. To obtain credit for help lent the head of the department making the loan addresses an inside letter to the manager of the accounting department, giving the name of the clerk lent, the department to which lent, the length of the loan, and requesting proper credit for his department. This letter must be approved before delivery by the department head borrowing the help.

Stationery and supplies are held in a locked storeroom and are issued against requisitions signed by department heads. The requisitions form the basis for departmental charges in the budget. Insurance premiums, taxes, dues of large amounts, etc., are accrued. Other expenses are charged as paid. Salaries of junior officers as a rule are charged to departments under their direct control while salaries of general executives are charged to bank administration. Expenses of directors, insurance, cost of issuing and redeeming currency, dinners and entertainments, and membership dues (except such as are applicable to particular departments) are charged to bank administration; taxes on banking house, repairs and alterations, light, heat and power to bank premises; employes' education, medical service, welfare and recreation to personnel.

REVIEWING THE BUDGET

After the tentative budget is completed by the department head and supervising officer, it is submitted in the proper number of copies to the comptroller for delivery to the budget committee. The budget committee, composed of senior officers of the bank, reviews the budget requests made by department heads and sees that they are on the same basis and are consistent with the general policy. It is sometimes considered desirable to submit the completed budget to the board of directors.

Soon after the close of each month a report should be prepared for each budgetary division, showing the actual expenses for the preceding month and for the year to date, as well as the proportion of the budget applicable to the year to date and the expenses for the corresponding period in the previous year. Such a report may be made in a variety of forms, of which the sample attached is fairly representative. The report for each division is delivered to the officer in charge of the division and a consolidated report of all divisions, including a summary, is presented to the executives. Department heads exceeding their budgets are called on for explanations.

NECESSARY RECORDS

While it is customary for governmental divisions to set up appropriations in books of account and to charge there against expenditures as made, thus disclosing unexpended balances, such a procedure is not necessary for a bank. In fact, no books of account are necessary and very little work is required to assemble the figures for the monthly report. The manager of the stationery and supplies department furnishes the accounting department a summary by budgetary divisions of all supplies issued. Salaries are segregated on the payroll book. Analyses of certain expense items, such as traveling expenses, long distance telehone tolls, telegrams, rentals of or repairs to furniture and equipment, etc., must be made, but many items of expense are charged to the same division every month.

If the adoption of an expense budget involved a great deal of labor and elaborate forms, banks might well hesitate to give it a trial, but as has been pointed out, such is not the case. The entire procedure can be made quite simple, especially after the budget is once in operation.

DEPOSIT GUARANTY IN KANSAS

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had our grasshoppers, our long, unbroken droughts, our bewhiskered Peffer, our Mary Ellen, our Carrie Nation, and now have the latest and greatest of them all—our Bank Guaranty Law.

"With its politics perhaps we should not concern ourselves, for we all know that schemes are often concocted by men who know better, simply to get votes for the purpose of maintaining office and power. The name itself is delusive and false. There never was a bolder case of false pretenses perpetrated upon the people of the state than giving the name of guarantee to that act. There is not guarantee or strength enough in the law to entitle it to be called by that name. We bankers might just as well ask our customers to attach a two-cent stamp as collateral to a loan of $50 as to tolerate this law. That the people think they want it, I hold to be no excuse for their legislators, who well know that its final end will be worse for them.

"This law raises no funds to speak of to guarantee any bank only in good times when there are no failures, but does create a perpetual assessment of a small amount that would not pay the interest after a crisis and the fund never would recover from its depletion. While there is a provision in the law which allows a bank to get from under by advertising for six months its intention to do so, providing all losses are paid at that time, a repetition of the experiences of 1893 would involve the banks so deeply that they never could get away from the annual assessments.

"Our guaranty law, although a delusion and a snare, a mere bubble that will be punctured by the first ill wind that blows, will, on account of its deception, put a premium on reckless and incompetent banking.

"If this law is not checked in its early childhood, great will be the calamity in its downfall, which will surely come, and to the stockholders who are doubly liable for the debts of their bank it will be a never ending curse."

DOES THE TRAVEL BUREAU PAY?

[Continued from page 304]

per cent. of it to be first class, which means that the volume of business in dollars and cents reaches pretty fair figures. As commission is based on total passage money, the amount so earned has taken care of operating expenses, including advertising. It has been our judgment that the cheaper class of business is not desirable and we, therefore, have made no effort to obtain bookings other than those of the better quality.

"The cheaper offer very little in the way of commission and almost invariably are the source of considerable annoyance and trouble. This means that we have made no particular effort to secure the business of school teachers and students going abroad for the summer in a modest way, nor for the same reason have we gone into the possibilities of obtaining the business of Europeans domiciled here, but returning to the home land for a visit."

THE SIZE OF THE DEPARTMENT

Naturally the most important part of a travel bureau is the personnel. The head of such a bureau should know something about the conditions of travel; he should know the important steamship lines and their relative advantages; he should know the important hotels in the United States and abroad; he should have considerable experience with the procedure involved in securing accommodations of all kinds; and he would find advantageous a knowledge of the sights to see in various important centers. In addition to this, he should, according to one bank, have "a fairly good idea of the economic situation in Europe, a close acquaintance with the trades, habits, and peculiarities of the different foreign peoples, the exact location of all capitals, banking centers and important cities, and the knack of deciphering all manner of handwriting. An expert knowledge of foreign languages is not necessary, but the travel assistant should be able to pick up easily phrases and words used." This naturally will require considerable reading and study on the part of the bureau head and a constant watching of events in Europe through various international magazines, as well as considerable previous experience. Many banks have found it satisfactory to secure a man who has worked in a tourist agency or in a ticket office to head the department.

The number of people in the department varies with the size of the bank and the duties they are called upon to perform. One bank reports a department of seven people, with a separate office of its own. This department, however, not only takes care of the travel service, but handles all the foreign work of the bank, such as travelers' cheques, foreign exchange, etc. Often the travel bureau is a part of some other department. In one bank it is a part of the information service in the lobby, in another it is a part of the general service department, in still another it is a part of the new business department, and most often it is part of the foreign department. Where the travel bureau is a distinct unit, the

At the Great Ports of the World—
At the Railway Stations of Foreign Cities—
Where assistance is needed most—
The troubled traveler will always find—

The Helpful Hand of a Great Service

It is doubtful if there is another personality, in all the world, so well known to travelers, so welcome to travelers in trouble, as these uniformed men of the American Express Company. Their fame is international. Familiar with the details of foreign customs, of dominating influence everywhere, their presence is a guarantee of intelligent, courteous assistance—endless in its variety, constant and efficient—wherever and whenever assistance is needed.

Banks everywhere, appreciating the value of this Service, assure it to their traveling patrons to the fullest extent when they sell them American Express Travelers Cheques. The protection which these Cheques give the traveler against the loss or theft of his funds—and that they are spendable and acceptable everywhere—are well established facts. *Safe Money* plus *Timely Service* are assured through

AMERICAN EXPRESS TRAVELERS CHEQUES

average size of the department is three employes—the department head, an assistant, and a stenographer. Desk room for these three, counter space and a few filing cabinets, make the space required for such a department run from 300 to 600 square feet. It must be located at the front of the banking room, for if the customers do not see it, it is not likely to be used.

The variation in the space and personnel required is, of course, due to the variation in the amount of service offered. Some departments arrange, as one writes, "everything from trips down the Ohio river to Around-the-World Cruises." Some "arrange itineraries, attend to the details of passports, purchase steamship and railroad tickets and reservations, make hotel reservations in all parts of the world, purchase theater tickets, meet trains, buy steamer baskets, etc., give information on the service of steamship lines to foreign countries, distribute time tables and business information, etc." The ultimate refinement of this service appeared when a bank installed a photographic apparatus to make passport photographs for the patrons of its travel bureau.

These large departments exist chiefly in the larger cities, where there is a considerable volume of such work. In the smaller cities, the travel bureau is generally operated more economically as a part of the foreign department—for the men in the foreign department already know something about foreign countries and are more in touch with them than any other department. Or the bank may simply offer travel service through some junior officer who is "equipped with sufficient facilities to purchase railroad tickets, steamboat tickets, and to make hotel reservations, and does it in connection with his other work."

The work of arranging itineraries and sometimes offering individual tours, while it may be profitable as shown in the example of a "bank which has a splendid travel department and makes profits of from $5000 to $10,000 a year, being an old established institution," is not believed to be wise. The bank mentioned above bought out the business of an old established tourist organization. But operating a tourist agency is not banking, and may perhaps be attacked in the courts as ultra vires. It will almost certainly cause dissatisfaction among the real tourist agencies, and they may influence the steamship companies to withdraw the co-operation which is now so valuable to the travel bureau of any bank.

CO-OPERATION FROM THE STEAMSHIP COMPANIES

The travel bureau naturally has itself appointed agent of various steamship companies and for Thos. Cook & Son and Raymond & Whitcomb, if possible, thus securing their co-operation in the extension of its service and its profitable operation. This co-operation by the steamship companies is quite extensive and takes many forms. The most common is the furnishing of the bank with free advertising matter, folders for distribution, posters, etc. The companies also co-operate by concurrent advertising, by circularizing the bank's customers if requested, and sometimes by furnishing stationery.

Several banks report that the steamship companies will refer to the banks all inquiries about the steamship companies' service coming from within a radius of fifty miles of the bank. One says, "co-operation on the part of some steamship companies is excellent. Promptness characterizes their service. Leads are furnished to the bank. Personal calls on prospects by the line's representative are made at the bank's suggestion, if warranted." The companies are glad to co-operate, says another bank, "in the operation of the travel bureau, due to the fact that they feel it gives dignity to their business, that the bank's customers are the best class of clients, and that it has a way of reaching people to interest them in travel that cannot be

obtained in any other way. They are also sure of their accounts being taken care of and handled in the proper manner."

Only one bank reports lack of co-operation. It says that "steamship companies do not, as a rule, co-operate closely enough with banks. They prefer individual agents who devote their entire time to securing business for the companies." Perhaps so, but so many banks report good co-operation that this opinion must be discounted.

AMOUNT OF BUSINESS BROUGHT IN UNCERTAIN

But the work involved in giving travel service to customers is, as has been shown, considerable. Whether it is worth the trouble is the subject of this report. There is some difference of opinion about this among banks, but the majority incline to the view that a travel bureau is a distinct asset to the bank. Where the competition is too keen, it is felt to be a losing proposition and a nuisance, as in one city where "four of the largest banks all operate travel bureaus, and due to the fact that there is a tremendous expense connected with the operation of a travel bureau, in advertising, clerical hire, etc., we are confident that none of these banks operate their travel bureaus at a profit, but are rather disposed to continue the operation of them at a loss, charging such loss to advertising, due to the fact that other business is secured for the different departments of the bank from the operation of the travel bureau."

The departments for which the bureau secures business and the ways in which it is valuable to the bank are varied. As most certain, it should first be mentioned that it increases the business in travelers' cheques and foreign exchange. Properly managed, it will also stimulate the business of the safe deposit department and safe keeping accounts. For when people go away, they want to put their valuables in a safe place. And if they have securities, they want to place them where they will be safe and where the coupons will be clipped and deposited, etc. There can be no doubt about these benefits.

The others are less tangible. The advantage to the bank most often mentioned is the fact that the department "brings people into the bank who otherwise would never have seen the interior and have no knowledge of what different departments the bank operates, so that, for advertising purposes, the bureau is valuable." This is open to doubt. It is inconceivable, to the writer at least, that people with sufficient money to travel abroad should have no bank accounts, and that people with intelligence and energy enough to want to travel should be so ignorant of banking as the person who answered the questionnaire states. More credible is the simple statement that "we consider our travel bureau brings our customers into closer touch with the bank. . . . It introduces many people to the bank." Thus the bureau sometimes secures new accounts, both savings and checking. A few banks report that the travel bureau increases the business of the bond and real estate departments. This again the writer questions, as these departments seem remote from travel. He agrees with the New York banker who maintains that the greater part of the collateral business thought to be brought in by the travel bureau would probably be received by the bank anyway.

TRAVEL BUREAU USUALLY PROFITABLE

Whether that is so or not, the bureau usually pays. The collateral business brought into the bank through the advertising of the bureau and the good will it creates are not susceptible of accurate measurement, but the commissions received from the steamship companies are. The usual commission is 5 per cent. with a few exceptions where 7½ and 10 per cent. are paid. These commissions, for the most part, make up the revenue of the bureau. The New York banks, however, have declined to accept the agencies for the steamship companies and either make a service charge commensurate with the service rendered to the customer, or charge up the cost of the bureau to advertising.

But more than two thirds of the banks answering the questionnaire said that their travel bureaus were self supporting, the others reporting losses. In over half of the banks answering the questionnaire, the travel bureaus were not only self supporting but showed profits. In three banks which had been losing money on their travel bureaus, profits have been realized in the last few years, with the growth of the volume of business; one of them made enough in one year to wipe out the deficits of the two previous years.

Summing up, then, the investigation has shown that a properly conducted travel department requires at least 300 square feet of floor space in the front of the bank, and three employes, one having had some experience in travel work before and knowing something about conditions abroad. These employes may do other work in the bank, also. The most successful travel bureaus pay but little attention to the cheaper classes of travel, but go after the first and second class reservations. The bureau may offer as extensive a service as it pleases, but it is believed that merely acting as agency for the steamship companies and the tourist companies is the wisest course. Considerable co-operation and help can be obtained from the steamship companies in the operation of the bureau and in securing business for it.

The bureau brings business to the bank in the form of travelers' cheque business, foreign exchange, safe deposit vault and custody accounts and stimulates business in various other departments. It is claimed, also, that it builds good will for the bank and is a good advertising feature. This cannot be proved, but if the bank's clientele is fairly high class and there is a fair volume of business, the bureau will pay its own way and will yield a profit to the bank.

CAPITALISM—OR WHAT?

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There is a test of that success. Frequently we have heard presidents of railways and executives of other corporations restricted by legislation threaten that if such legislation continued they would prefer and would advocate government ownership, but we do not see such threats carried out. However gravely their initiative and responsibility may be interfered with there is enough left so that resignations from this cause are a rarity, even in the most extreme instances of actual government persecution.

There will doubtless be some further government ownership but it will not go far precisely because of this development of democratic controls. Social democracy is forestalling socialism. Progressivism is not socialism. The sacredness of private property and the inviolability of private enterprise have not been allowed to stand in the way of this social legislation, but the social progressives have never questioned the value of private property or of private enterprise.

The socialist is hostile to private property and private enterprise. The democrat is hostile to neither but he does not allow them to stand in the way of still larger social considerations. Where an issue arises between private interests and the general welfare he acknowledges he must be fair to the individual owner or capitalist, but he has no concern to protect the *institutions* of individual ownership or private capitalism from restrictions in the public interest.

Once the danger of the establishment of political capitalism is past, however —and it is past—the progressive demo-

crat, unlike the socialist, has no further objection whatever to the spread of private property and private initiative, except in the wasteful or anti-social forms which the new economic legislation more and more successfully restrict.

In the progressive view there is no more chance that we shall have capitalist rule in this country than there is that we shall have a reign of socialism. There is a danger, and a serious danger, that the tendency toward socialist governmentalism will become too strong for the public good, just as the tendency toward capitalist rule has been, still is, and doubtless will long continue to be. *But neither the establishment of a capitalist system nor of a socialist system is imminent and we are getting farther away from both of them every year.*

PROGRESSIVES ANTI-SOCIALIST

The progressives, who in this country include the labor movement, are clearly and strongly anti-socialist. Whether they are anti-capitalist or not depends on the sense in which the word capitalism is employed. If capitalism is the economic structure based on private property and private initiative the progressives are not anti-capitalist. If capitalism is the control of government and society by this economic structure, and especially by its more powerful and concentrated units, they are anti-capitalist.

American progressivism and American labor do not desire to develop a revolutionary class struggle between the "Haves" and "Have-nots" in this country. They are not fighting property and they are not fighting capital. They want no overthrow because they believe democracy is already powerful in America and in partial control. They want, and they expect to see, that control steadily and indefinitely extended in the economic field.

The extension of democracy into the economic field is taking forms too numerous to summarize in a brief article. Two of the most representative democratic conquests during the last decade were the firm establishment of the principle of levelling great fortunes by taxation and the protection of the labor market by the new immigration laws. Certainly neither of these measures was favored by "capitalism" and both greatly facilitate the further expansion of economic democracy.

Various forms of governmental publicity as to prices, production and markets will not only stabilize industry and protect the primary producer and ultimate consumer, but will greatly facilitate future measures of governmental control. Existing Federal boards and commissions, even when their other powers are wisely restricted and of doubtful efficacy, are doing invaluable work in the direction of publicity.

And when these new governmental structures are further democratized and industrialized—that is when the Federal economic boards and commissions are composed of representatives of all the great economic organizations and of all the essential factors of industry, as urged by Vice-President Matthew Woll of the American Federation of Labor—they will doubtless be entrusted with greatly extended powers. This development alone promises the most radical curtailment of capitalism and the most revolutionary advance toward economic democracy.

Transportation, even without legislation, tends to be more and more a public matter. Soon road and automobile traffic will wholly overshadow railway transport. And there is as yet no voice calling to put an end to public ownership of the roads. The roads are being maintained by the community, not at the expense of the community but increasingly at the expense of the road users. The state, without profit, performs a service for the road users and these are becoming sufficiently organized as a whole and have among them a sufficient number of highly organized bodies and expert individuals to be able to see to it that this state service is slowly but steadily im-

proved in quality and waste eliminated.

This illustrates the most important of all social principles. The efficiency of democratic control depends upon the efficiency of the organization of economic groups controlling the state, and the democratic state should and probably will extend its functions only in proportion to the effective development of such organizations of producers and consumers, employers and employes, professional and technical workers.

ECONOMIC ORGANIZATIONS TO CONTROL

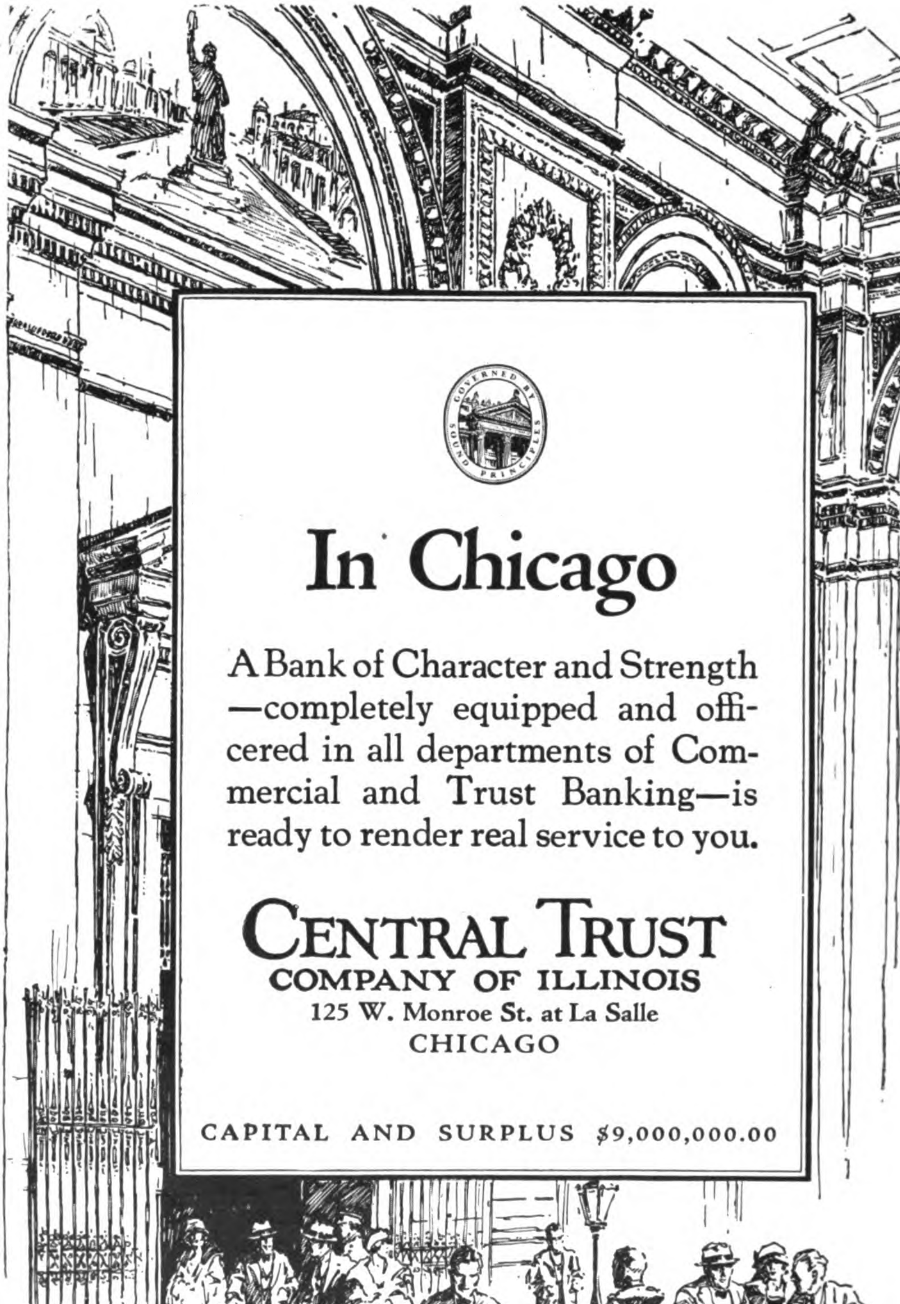
The development of new economic functions of the state under these auspices is not socialism, capitalism, state socialism nor state capitalism. It does not mean the control of the state by the "Haves" or the "Have-nots" or the domination of voluntary organizations by the state; it means the domination of the state by voluntary organizations—representing every great and vital economic function. Private initiative is not restricted, it finds new and larger fields. It is not governmentalized and destroyed, nor is it any longer based exclusively on private ownership. It works in and through economic organizations and it freely and openly utilizes the state, just as it recognizes and utilizes private capital. But it takes orders neither from economic capitalism nor from the state. It is a movement away from both private and state control of the economic structure toward a new and as yet unnamed control by economic organizations —each organization a power in its own field and limited in the main externally, i. e., by the pressure, economic and political, of other organizations.

This is no place to attempt a classification of economic organizations. But they are well typified by the three largest groups of organizations influencing government at Washington—the chambers of commerce, the agricultural organizations and the labor organizations. These organizations happen to be mutually exclusive in their membership since they represent their members primarily as producers. Consumers' organizations, such as shippers, automobile associations and co-operative associations, permit duplication of membership and include individuals already organized as producers.

Almost without exception economic organizations are "organized minorities" and their influence over legislation can take only one of two forms. If the influence over legislators is private we have a "lobby;" if it is public—as it must be with great popular organizations like those of the farmers and industrial wage earners—we have a "bloc." If we had government through any one organized minority it would amount to political tyranny and would mean the overthrow of the present balance of social forces, i. e., the present society. On the contrary, government in which all organized economic minorities of importance have a fair hearing is the government of the future. In that government the state will be merely the clearing house for economic forces. Both the control and, in large measure, the execution, of governmental economic policies will rest in the hands of economic organizations, recognized and encouraged by the state.

The present society is being rapidly modified by the evolution of economic organizations, in the main without any very effective political interference or encouragement. Every popular economic organization that succeeds, such as those of wage labor and and agriculture means an advance in democratic control of the economic structure, and up to the present progress in that direction has mainly taken this purely economic form. No doubt this will continue for years to be the main current. But all economic organizations, from the great industrial corporations to the labor unions, find themselves involved increasingly in relations with the government. Formerly it was the great corporations that more frequently found a use for government; now it is the great popular organizations.

The new economic situation would be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better understood if it were more widely accepted as permanent. But there lingers on the public scene a strange traditional view that the wheels of progress can be turned backward, that the great popular economic organizations can either be reduced to their former relative impotence or at least be persuaded or compelled to leave their hands off the government. For they have grown steadily and have more power over government than ever today. This organized economic democracy and not socialism is the force that confronts capitalism and prevents the present society from developing into a capitalist system.

BRITISH VIEWS ON THE ALLIED DEBTS

[Continued from page 301]

Every cent was spent under the supervision of the United States Treasury in what was, according to their view, not ours, the furtherance and prosecution of the war—and every cent was spent in the United States. Between 1917 and the end of the war—that is, during the period of American intervention—we spent over $7,000,000,000 in the United States, and, of that sum, we borrowed $4,000,000,000, and we provided $3,000,000,000 additional, spent in the United States, from our other resources.

HOW PROCEEDS OF LOAN WERE SPENT

"Against the $4,000,000,000 that we borrowed, we spent over $1,500,000,000 on munitions and over $2,500,000,000 on cereals and other essential foodstuffs, so that on these two heads alone we spent a sum which equals the whole sum that we borrowed from the United States. As to the special instances cited by the distinguished foreign statesman whose name I have mentioned, there again it seems that he has been either misreported or misled. We spent on the commercial maturities during this same period $354,000,000 out of a total of $7,200,000,000 which we borrowed or provided from our own resources, or rather less than 1-20th of the total dollar expenditure for which we were responsible. As to the silver loan for India, which is referred to, that as every one knows, was treated quite separately from the war debt and fully repaid by this country in 1923. I hope I shall not be thought to have been wrong in stating these facts, because while there is certainly a good deal of ill-feeling and resentment about all these questions connected with the repayment of war debts, it is very important that that resentment should not be increased by any misunderstanding of what are the actual facts of the situation."

GERMAN BANKS IN AMSTERDAM AND THE DUTCH DISCOUNT MARKET

[Continued from page 308]

The very fact however that foreign banks would be in the market for guilder-acceptances, as a desirable means of investment, would mean that the very aim of those who are in favor of the decision taken by De Nederlandsche Bank would have been realized. Familiarity with acceptances has as its necessary sequence investment in acceptances in all parts of the world.

It may be said in conclusion that in order to come to a due appreciation of the rediscounting decision of De Nederlandsche Bank, it is necessary to see it in the light of past and future development. The decision is in line with the tradition

of Holland as a free-trade country, as a country to which at all times foreigners had free access and received equal treatment. It is to its open-door policy that Amsterdam owes its present financial standing, and it will again be its open-door policy which will preserve its present standing for the future.

BANKING AND COMMERCIAL LAW

[Continued from page 313]

appellee was negligent, then the petition was to have been dismissed, and appellant was to recover his costs; if not the court was to enter judgment for the amount of the check and interest from the date of presentment, and costs.

It will be noted in this statement of facts that it is stipulated that there were not sufficient funds on hand to meet the check, but that due arrangements had been made on the part of the bank to pay the check when presented. These facts having been agreed upon, the fact that there were insufficient funds to meet the check becomes wholly immaterial, and the drawee is bound to present the same for payment. Hamlin v. Simpson, 105 Iowa, 125, 74 N. W. 906, 44 L. R. A. 397. With this question disposed of we have left the lone question of negligence in presentation.

Section 9647, Code of 1924, reads as follows:

"A check must be presented for payment within a reasonable time after its issue, or the drawer will be discharged from liability thereon to the extent of the loss caused by the delay."

The question before us, therefore, is whether or not appellee presented the check within a reasonable time.

We have frequently announced the general rule that under facts similar to these the question of what is "a reasonable time" is a question of fact. However, there are exceptions to this rule, and one is that, where the facts are undisputed, it then becomes a question of law. 3 R. C. L. 1194, § 415, and cases there cited: Turner v. Iron Chief Min. Co., 74 Wis. 355, 43 N. W. 149, 5 L. R. A. 533, and note, 17 Am. St. Rep. 168; 8 C. J. 1070, note 67 and cases. Brannan's Negotiable Instruments Law (1926 Ed.) 927, states the rule to be:

"Where the facts are in dispute 'reasonable time' is a question for the jury, otherwise for the court"—citing Sheffield v. Cleland, 19 Idaho, 612, 115 P. 20; First Nat. Bank v. Korn (Mo. App.) 179 S. W. 721; Commercial Bank v. Zimmerman, 185 N. Y. 210, 77 N. E. 1020.

In determining what is "a reasonable time," all the facts and circumstances of the case must be taken into consideration. Section 9654, Code of 1924. In Northern Lumber Co. v. Clausen, 208 N. W. 74, we said:

"It is a well settled proposition of law that, where a person receives a check in the town where the drawee bank is located, it must be presented before the close of the next business day."

It seems to be pretty well settled that, where the drawee of a check and the bank are located in different places, the check must, in the absence of unusual circumstances, be forwarded for presentation on the day after it is received, at the latest. 8 C. J. 542, § 754. This doctrine has been affirmed by this court in Hamlin v. Simpson, supra; Northwestern Coal Co. v. Bowman, 69 Iowa, 150, 28 N. W. 496; Savings Bank v. Moodle, 135 Iowa, 685, 110 N. W. 29, 113 N. W. 476; Citizens' Bank v. National Bank, 135 Iowa, 605, 113 N. W. 481, 13 L. R. A. (N. S.) 303, which cases state the general rules governing matters of this kind, and, unless there are facts and circumstances shown in the case which amount to a reasonable excuse for not making such presentation, they must govern.

Turning to the record, it is apparent that the check was received by appellee on the 18th day of May, after banking hours. The record, however, is a little uncertain as to just when the check was, in fact, presented to the bank. The statement in relation thereto is ambiguous. The bank appears to have closed some time on the 25th of May, and as to whether the check was presented on the 25th of May or later we have some question. Assuming that it was presented on May 25, after the bank had closed, the time which elapsed would be seven or possibly six days. While the record states that appellee received the check in Logan, and took it to his farm, there is nothing to indicate where his farm was located. It may have been just outside the corporate limits of Logan, or it may have been many miles away, but as to its exact distance from the bank we are not advised. The fact that appellee lived on a farm is the only circumstance in the case, aside from the lapse of time, that can in any way effect this question. Under the rules we have above laid down, it is our judgment that, as a matter of law, this check was not presented within a reasonable time. Having reached this conclusion, it follows that appellee was negligent. We are not to be understood as saying that the fact of negligence would necessarily defeat the appellee from any recovery upon the check, if the amount thereof exceeded the amount lost by the drawer as the result of the failure to present the check. The appellant would be entitled only to recover to the extent of the deposit lost by him in the failing bank. There is evidence indicating that the amount of the check was greater than the amount of the deposit lost by the failure. On this question we make no pronouncement.

For the reasons stated, the judgment for appellee for the full amount of the check was error.

Reversed and remanded.

STATUTE AGAINST OVERDRAFT CHECKS DOES NOT APPLY TO POSTDATED CHECKS

Lovell v. Eaton, Supreme Court of Vermont, 133 Atl. Rep. 742

The Vermont statute (G. L. 6888), which provides that any person who issues a check or other instrument upon a bank, knowing at the time that it is drawn against insufficient funds, shall be liable to any person injured thereby in an action for damages and, lacking property, to be subject to a body attachment, does not apply to a postdated check.

The reason is that overdraft checks are usually issued for the purpose of obtaining credit; both parties are aware that the check is drawn against insufficient funds and their intention is that funds shall be deposited prior to the date of the check so that it will be paid upon presentment. The court holds that a statute of this kind should not be applied to postdated checks unless it is drawn in language which expressly includes checks of this character.

Action by F. E. Lovell against Perley R. Eaton. From a judgment sustaining demurrer to complaint, plaintiff brings exceptions. Affirmed, and cause remanded.

OPINION

BUTLER, J. The action is tort for the recovery of the amount of a certain check for $1500 made by the defendant, and payable to the plaintiff or order. The case comes here on plaintiff's exception to the sustaining of the demurrer to the complaint.

The action is based on G. L. 6888, which provides that—

"Any person who makes, draws, utters or delivers a check, draft or order for the payment of money upon any bank or other depository, knowing at the time of such making, drawing, uttering or delivery that the maker or drawer has not sufficient fund in or credit with such bank or other depository for the payment of such check, draft or order in full upon its presentation, and which is not paid in full upon presentation, shall be liable in an action of tort, on this statute, to the person injured thereby and for want of property, the body of the person so making, drawing, uttering or delivering such check, draft or order may be attached."

The check in question bore date January 7, 1924, and was made and delivered to the plaintiff by the defendant December 22, 1923. The principal question raised by the demurrer is whether, as between the maker and the payee, the statute applies to a postdated check.

[1, 2] A "postdated check" is one that is made and delivered at some time prior to the day of its date. It is generally held to be payable at sight or upon presentation at the bank at any time on or after the day of its date. Morse on Banks, vol. 1, § 389; 5 R. C. L. 515, par. 36; Mohawk Bank v. Broderick, 13 Wend. (N. Y.) 133, 27 Am. Dec. 192. It differs from an ordinary check in that it carries on its face implied notice that there is no money presently on deposit available to meet it, with the implied assurance that there will be such funds on the day it becomes due. It is a valid instrument recognized by and subject to the Negotiable Instruments Act, G. L. 2882, 3054, 3055. It is a familiar and useful form of negotiable paper and plays an important part in the world of commerce. Ordinarily its purpose is to obtain an extension of credit. The maker knows when he issues a postdated check that there are no founds on deposit then available to meet it, which the statute makes the essential element of the wrong for which the remedy is provided.

[3] It is not to be believed that the Legislature intended to abolish the use of such checks, or make their use necessarily wrongful. If the statute is construed to apply to such a check, it has just that effect and would render the maker of most, if not all, such checks liable to a body action.

Without the use of language that would make such intention unmistakable, such construction should not be placed upon it. The rules of construction do not require it. Wlock v. Fort Dummer Mills, 98 Vt. 449, 129 A. 311. The statute makes the knowledge by the maker of the want of funds in or credit with the bank at the time of making or delivering a check drawn on such bank an essential element of the wrong for which this statutory remedy is provided. Notwithstanding the comprehensive language of the first part of the statute, we think its scope and application are restricted by the clause requiring such knowledge and that the Legislature did not intend to include therein postdated checks. The instrument to which the statute applies must have been intended to be such as to reach the funds then understood to be in or with the bank on which it is drawn. Unless the check drawn be presently payable, the want of funds at that time would be unimportant as affecting this statutory remedy.

[4] In reaching this conclusion we get little aid from the adjudged cases. The statutes under which such cases have arisen are penal or criminal, while ours is remedial only. The case most relied upon by the plaintiff is Kansas v. Avery, 111 Kan. 588, 207 P. 838, 23 A. L. R. 453. But the Kansas statute as construed by the court was passed, not for the benefit of the payee or holder of the worthless check, but to prevent check kiting and bad banking. "The offense," says the court, "is not committed against the payee of the check, but consists in the public nuisance resulting from the practice of putting worthless checks in circulation." Such is not the purpose of our statute.

It was passed wholly in the interests of the payee or holder of the check. No other object moved the Legislature to its enactment than to protect and indemnify him. A provision similar to that contained in our statute is found in the statutes of Georgia and California, though penal in character. The courts of these states have taken opposite views as to the proper construction. The decisions in Georgia accord with the views here expressed. Neidlinger v. State, 17 Ga. App. 811, 88 S. E. 687; Strickland v. State, 27 Ga. App. 772, 110 S. E. 39. The California decisions are to the contrary. People v. Bercovitz, 163 Cal. 636, 126 P. 479, 43 L. R. A. (N. S.) 667. As this holding disposes of the case, it is unnecessary to notice the other question discussed.

The second count, containing a copy of the checks, is the same in effect as the first.

Judgment affirmed and cause remanded.

WATSON, C. J., thinks that since the statute is remedial and is to be given a liberal construction, it should be held to include postdated checks.

BANK STOCKHOLDERS VOTING TRUST AGREEMENT HELD VALID

National Liberty Insurance Co. v. Bank of America, New York Supreme Court, Appellate Division, July, 1926.

The decision of the Supreme Court of New York County, handed down March 9 holding that the voting trust agreement, entered into by the stockholders of the Bank of America, on December 31, 1924, was invalid and unenforceable has been reversed by the Appellate Division of the New York Supreme Court, which court now holds the agreement in question to be valid.

The agreement was entered, it is asserted, into for the purpose of protecting the Bank of America and its stockholders against certain interests which were endeavoring to buy up and control the Bank of America and other banking institutions. The agreement, which runs from a period of ten years from its date, but is terminable at the election of the trustees, names three trustees, a president and director, a vice-president and director and a director, respectively, of the bank. Under the agreement it is provided that the stockholders of the bank may deposit their stocks with the trustees and that trust certificates shall be issued in their stead. The legal title to all shares deposited is vested in the trustees and they are given general powers to vote on deposited stock for all purposes whatsoever.

Prior to 1901, the validity of voting trust agreements in New York was a matter of uncertainty. In that year, an amendment of Section 20 of the General Corporation Law was passed authorizing voting trust agreements for a period not exceeding ten years. This section of the law, which has since become Section 50 of the Stock Corporation Law, was amended in 1925 by the addition of the following sentence: "This section shall not apply to a banking corporation."

The lower court held that the agreement under consideration was invalid on two grounds; first, that it was contrary to the declared public policy of the State of New York, and second, that it was contrary to Section 50 as amended in 1925. While the agreement itself antedated the amendment, the court pointed out that many of the shares of stock were deposited with the trustee subsequent to the amendment.

The Appellate Division, in reversing the lower court, holds that the agreement is in no wise contrary to public policy and that, to permit the amendment to Section 50 to apply to the agreement would be to give it a retroactive effect.

The opinion of the court, written by Judge Martin, follows in part:

The petitioners are asking for the intervention of a court of equity. In doing

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BANKING AND FINANCE ABROAD AND INTERNATIONAL BANKING NOTES

THE FINANCIAL AND ECONOMIC SITUATION ABROAD

By William Hayes

INFLATION is similar in many ways to drunkenness. It stimulates business, as whiskey stimulates the human body, and it is followed just as surely by that "dark brown taste," though the effects may be postponed for some time. Liquor dulls the control faculties which the brain usually exercises over the body. Similarly, inflation paralyzes the machinery of control of a government, and makes it difficult for the nation to cease inflation until the currency is worthless. Almost by instinct men seem to realize that the only way to prolong the exhilaration is by taking larger and larger quantities of the stimulant. Only the intervention of an outside force will stop them, usually a friend who is less drunk.

This necessity for the intervention of an outside force to stop inflation is probably responsible for the popularity of the dictatorship idea in Europe. Some have suggested that the numerous dictators have been necessary because of the breaking down of the democratic idea. But it is noticeable that there have been no suggestions of dictators for countries such as Great Britain, Switzerland, Holland, and the few other countries in Europe whose finances are on a stable basis. It is the semi-intoxication of inflation which was almost forced on most of the belligerent nations, and from which they cannot seem to arouse themselves, which makes the appointment of a dictator imperative. The intervention of the Dawes Committee set Germany on her feet financially, aided later by the agent general for reparations; Jeremiah Smith performed a similar service for Hungary, as Albert Zimmerman did for Austria; Mussolini seems to be getting good results, economically, from his dictatorship in Italy; and Pilsudski is trying it in Poland.

KING ALBERT BELGIUM'S DICTATOR

Belgium thought once that she would be able to stabilize her currency without resort to such a measure, but the decline of the Belgian franc this spring, after her failure to obtain a foreign loan, has eventually forced her to place herself in the hands of her King for about six months. The law making King Albert dictator, which was passed about the middle of July, authorizes him to:

Modify or supplement all existing regulations on currency circulation.

Contract loans and determine their terms.

Take steps to prevent or reduce inflation.

Make laws to prevent the troubles deflation might cause.

Make laws to insure the return of capital hidden abroad.

Approve all changes or additions to the statutes of the National Bank of Belgium which are deemed necessary to general reform.

Make any changes in the rates of taxes, duties and other revenue, designed to maintain an adequate treasury income.

Make rules for the re-valuation of securities and mortgages, if the currency is stabilized on a gold basis.

Dispose of any state property.

Sell or dispose of all sequestrated exenemy property.

Take steps to maintain the food supply and to reduce the consumption of luxuries.

Take any measures necessary to insure the execution of these and existing laws.

WAR REGULATIONS AGAIN

The King, who of course is acting with the advice of the finance minister, promptly put into effect a series of economy measures reminiscent of the war. The people are to eat only whole wheat bread, for the millers have been ordered to make flour from 82 per cent. whole wheat. This will reduce wheat imports. On the other hand, efforts are being made to restrict the export of coal, sugar, cereals, and flour. The night clubs have been ordered to close at midnight, and a special tax has been levied on guests in hotels, as a means of cutting down the consumption of luxuries.

Even though a dictator has been appointed, care is being taken to please the voters just as if the King were politically responsible to them. For example, though the people at the head of the government in Belgium must know that the decline of the Belgian franc is due to lack of confidence, more than to speculation, and that any attempt to restrict speculation is rarely successful, they are making motions to stop it. The banks are required to see bills of lading as well as invoices before selling foreign exchange. The artificiality and powerlessness of such a measure is evident. For even supposing such a law to entirely stop speculation in the franc in Belgium, it can have but little effect on speculation in the franc in other countries. And if conditions get worse in Belgium (as seems hardly likely) the decline in the franc there will inevitably change the franc quotations in Belgium as if there were no regulations. But, unfortunately, the average man still retains his hostility to speculation (though he will engage in it if he thinks he sees a chance for profits) and must be pacified by such comparatively harmless measures as this.

NATIONAL RAILWAYS DENATIONALIZED

The Belgian railways have contributed to the budget deficit for many years. One of the first measures, therefore, under the new dictatorship, was to separate the railways from the government and put them under the operation of a private company. The railways are leased to the new corporation for seventy-five years. All the common stock of the company will be held by the government, but the preferred stock is to be sold to the public, preferably to the holders of the troublesome floating debt, in exchange for that debt. Thus, if the private operation of the railways is successful, three things will be accomplished in one operation: the budget will be relieved of an annual deficit; the government will enjoy some income from the stock; and the floating debt will, in effect, have been funded and will cease to embarrass the government.

It is hoped by these and similar measures to stabilize the Belgian franc again and return to the gold standard by the time the dictatorship expires in January, 1927. The immediate psychological effect of the appointment of a dictator was a rise in Belgian exchange, though later exchange weakened again, in sympathy with the unsettlement in France.

CAILLAUX UNACCEPTABLE AS FRENCH DICTATOR

At the time Belgium gave Albert dictatorial power, M. Caillaux was finance minister of France in Briand's tenth cabinet. He has long been known to cherish a desire for dictatorial powers of French finances. At that time it really seemed that a dictator would have to be appointed for France, too, for the political divisions of the Chamber and Senate had almost paralyzed the government for a year. Caillaux seized the opportunity to ask for powers similar to those granted to King Albert, and pressed his demand to a vote.

This matter of the authority of M. Caillaux, then, was the stone wall which the Briand ministry couldn't get over, instead of the Mellon-Berenger debt agreement, as expected. M. Herriot, the radical, led the fight against M. Caillaux, basing his argument not so much on the giving of dictatorial powers (though he was also opposed to that), as on giving them to Caillaux. He spoke out quite freely, as did all the radicals, in stating that they did not believe M. Caillaux could be trusted with so much authority. The Chamber had been supporting the ministry up to that time, but when it came to a vote, the support was withdrawn, and the Briand cabinet resigned.

HERRIOT CABINET OF SHORT TENURE

It was natural, since M. Herriot had been the chief instrument in dislodging the Briand cabinet, that he should be asked to form a new one. But it was apparent from the first that he could hope for little success. As soon as he was even suggested as Premier, the franc started down. When Herriot went to confer with President Doumergue, he was hooted by the people, and it required the help of the police to get his automobile through the crowd. He did succeed in forming a cabinet, in spite of all this opposition, and as a result the franc fell to a new low. This weakness of the franc continued all the time while Herriot was in office, which was little over a week (for he was defeated as soon as he faced the Chamber of Deputies), reaching at one time 2.12, the lowest point it has ever touched. As soon as he resigned, it rebounded to about 2.50, and at the time this was written it was still advancing under the careful nursing of M. Poincare.

POINCARE'S SUPER-CABINET

It was seriously doubted at this time if any cabinet could be formed which would stand. There was talk of a new election, and there was considerable surprise when it was announced that M. Poincare had succeeded in forming a coalition cabinet. He attempted and succeeded in forming a cabinet so wide in its range that it could not fail to find a majority. At least, so it was hoped at the time of its formation, though people who have watched one cabinet after another try to get a majority in the French legislative houses were very skeptical. So far, events have justified the hopes.

The cabinet included radicals, moderates, and conservatives—among them, five ex-premiers. The cabinet is as follows: Premier and Minister of Finance, Raymond Poincare; Minister of Foreign Affairs, Aristide Briand; Minister of Justice, Louis Barthou; Minister of War, Paul Painleve; Minister of Marine, Georges Leygues; Minister of Public Instruction, Edouard Herriot; Minister of Labor, Andre Faillieres; Minister of the Interior, Albert Sarraut; Minister of Public Works, Andre Tardieu; Minister of Commerce, Maurice Bokanowski; Minister of Agriculture, Andre Queuille; Minister of Colonies, Leon Perrier; Minister of Pensions, Louis Marin.

M. Poincare struck a popular note when he announced that he proposed to have France save herself. He held that she could get on her feet without the assistance of any more foreign money. But if France is to help herself she must raise more money by taxation. And, anyway, though he did not add this, France must help herself, for in her present condition it is impossible to obtain a foreign loan. Even her own people do not care to loan her money, as is evidenced by the continual presenting of the floating debt for redemption instead of for renewal.

The "self help" idea's popularity is attested by the votes it found. When M. Poincare presented his fiscal bill, which is calculated to increase tax receipts about 2,500,000,000 francs this year, and about 9,000,000,000 next year, it was passed by the surprising majority of 250 to 13. And this vote was in the same Chamber which has been resisting all sorts of taxation so vigorously for over a year. Such an evident willingness to attack the problem of providing sufficient revenues at least had its effect on the franc, which jumped to almost three cents.

The next thing M. Poincare proposed was a sinking fund to redeem the short term bonds. The fund is to be autonomous, the receipts from the tobacco monopoly and other taxes being paid into the fund and the debt being redeemed with these receipts. By this means, there is an assurance of an attempt at reducing the internal debt. This was later incorporated into the Constitution of France by a vote of 671 to 144.

The parliament then adjourned until

fall, leaving the most difficult and disputed measure of all to await a calmer temper, that is, the ratification or rejection of the Mellon-Berenger debt agreement. Poincare was originally very opposed to ratification, but he seems to be realizing the advantages which would accrue to France if the amount to be paid to the United States by France were definitely settled, and when the legislature meets again will probably recommend the ratification of the agreement.

There is also evidence that he is changing his attitude on foreign loans. It is certain that if France could give enough evidences of a determination to stop inflation to make foreigners willing to loan her more money, such a loan would be very helpful in carrying out the program of stabilizing the franc. But a great deal remains to be done before a loan will be possible.

M. Poincare seems to be following, in a general way, the program laid down by the committee of experts, and if he is only supported in the future as he has been recently with such splendid majorities, the end of the inflation period in France may be in sight.

EFFECTS OF THE INFLATION

The decline of the franc has again negatived the export balance which France was building up. The exports have not decreased, nor the imports increased measurably in volume, and yet June showed an import balance. The reason is simply the fact that as the franc declines, more francs must be given for a dollar's worth of imports. That works automatically. In the export field, however, a dollar will purchase a great deal more, and unless prices are raised very promptly, exports do not keep pace, in value, with imports. It is a rare case where the prices of exports can be varied with the variations of exchange. Usually they lag behind, and thereby France loses value and loses her export balance at the same time. The exporters are waking up to this and the increases in prices recently put into effect, added to the low purchasing power of the franc abroad, are seriously curtailing foreign trade.

The declining purchasing power of the franc, as evidenced in the steadily and rapidly rising index number of prices in France, is causing wage earners to ask for more pay, and strikes have been more frequent in the recent months. Unless such wage advances are granted, the laborers have to reduce their standard of living, for the same salary no longer purchases what it did before. During a period of inflation the workers lose, along with everybody else, through the lagging of wages behind prices. The loss is not noticed at first, but eventually becomes quite apparent.

One of the curious results of the fall of the franc is the increasing resentment of the French against Americans and, in a lesser degree, against all foreigners. During Herriot's short term of office, when the franc touched 2.12, several fights between Frenchmen and citizens of other nations were reported in the newspapers.

BRITISH TRADE AWAITS END OF COAL STRIKE

Reports say that British industries have adjusted themselves to strike conditions, are operating on a reduced scale, and are ready to increase their production as soon as there is fuel available. The only line of business that is operating at capacity is shipping. All the available ships have been put into the transportation of coal, and freight rates are advancing.

Considerable coal is still being imported, though the complaints of poor quality and high price continue. The importation of coal has enabled the restoration of much fuller railway service. A few blast furnaces are operating, but the iron trade in general is almost as tightly shut down as the coal industry. Textiles continue dull.

Meanwhile, however, stocks of goods are being slowly worked down, thus preparing industry for a revival. Crop conditions are good, and it is probable that the farmers will have more to spend this year. Money rates are easy, and the stage seems set for business prosperity in Britain when, as, and if the coal strike is settled.

The strike is proving a blessing to some of the other countries of Europe who find their coal much in demand to fill the gap left by the stoppage of British production.

EXPORT CREDITS SYSTEM REVISED

In spite of the fact that for the present Britain's export trade is all shot to pieces by the strike, the government is going ahead making preparations to assist that same export trade when conditions become favorable for revival. Some months ago the plan for insuring export credits was described in these columns. The insurance plan, which will cover only goods which have been wholly or partly manufactured in the United Kingdom, is to be tried out, in its revised form, for three years. During that time the Trade Indemnity Company will offer the three following guarantees to exporters:

1. Guarantee of a maximum of 75 per cent. of the credit granted, without recourse to the exporter.

2. Guarantee of the full amount of the credit, with full recourse to the exporter in case of default.

3. Guarantee of up to 75 per cent. of the credit with or without recourse as may be agreed upon.

At the end of three years it is believed that enough experience will have been accumulated to allow the business to be turned over to private companies, if it proves to be effective in stimulating export trade, and if exporters take advantage of it.

SIGNS OF REVIVAL IN GERMANY

A number of the indexes which point to incipient revival are becoming evident in Germany. The money market, which has been notably easy for six months, shows a little tendency to firmness. The stock market, which usually discounts business revival, has been booming for almost a similar length of time.

Nor is the revival confined to indexes. There is some actual increase in business in the coal industry, due to a heavy demand from England. The iron trade and the textile business are also improving. The price level has advanced slightly, indicating reviving demand. Satisfactory dividends are being paid on many stocks, indicating that some businesses are being operated at a profit.

Finally, there is a steady growth in export trade, and the heavy imports of raw material and foodstuffs in June seem to indicate some revival of business activity.

GERMANY IS STUDYING AMERICAN BUSINESS ARCHITECTURE

Germany's architectural eyes are focused on New York because she believes that America's metropolis is leading the world in a new virility in architecture and she is sending more architects to study in this country than were sent to Athens five years ago, according to a recent article in the New York *Sun*.

European architects have turned their eyes toward New York, which is accepted as assuming leadership in a new trend in design. Such is the belief of Alfred C. Bossom, New York bank architect, who has recently returned from a tour of Germany as chairman of the foreign exhibits committee of the Architectural League of New York.

He was a guest of the Bund Deutscher Architekten, which is the German equivalent of the American Institute of Architects, and visited the great traveling architectural exhibition which appeared in Vienna, Berlin, Hamburg and is now in Munich. It has created great interest, Mr. Bossom said, because a large number of works of American architects are exhibited. "The Germans marvel at our skyscrapers. They were immensely pleased with the work of the Barclay-Vesey Telephone Building in New York, the Bush Building on Forty-second street, the Hotel Shelton, the Chicago Tribune Building, the Woolworth Building, the St. Louis Bell Telephone Building and many others," said Mr. Bossom. "The exhibition included selected works of American architects which were picked by Dr. Edmund Schuler during a recent visit to the United States.

The architects of Hamburg and the United States are leading the world today, in Mr. Bossom's opinion. "German architects have evolved some very striking treatments. Their modern composition of setback detail is more original than ours," he said. "Details based on Gothic rather than classic motives, common in the United States, are modernized to suit conditions. Almost all work is based on the triangle and very few curves are used.

"The windows are built flush with the walls of the buildings and thus no shadows occur and the entire appearance is that of a solid mass.

"The Germans are making their foundations of granite instead of concrete. In all their interior woodwork but half the thickness is used. They find it cheaper and that it wears equally well. It is much lighter and as attractive. Pine pitch is imported from the United States for the purpose, although it is not used here.

"In all work done by the Germans an abundance of color is used. Every building in Hamburg reflects it. Artists work in conjunction with the architects. Ceilings are painted to tell a story and color is used everywhere in preference to plaster decorations. Strong greens, reds, vivid yellows, chocolates and all primitive colors are common. Our New York buildings look harsh in comparison. The Germans have mastered the art of blending color to fit the background. All the German architects I met wish to come to New York to study our buildings, although they are not adopting skyscrapers.

"An example of efficiency is the method of teaching students in the Government Art School at Berlin. Dr Bruno Powell, head of the school, has all the architectural students working on definite sections of a building actually under construction."

SWITZERLAND NOW HAS MONEY RASH

The rash that broke out in Germany some months ago, due to an excess of money, seems to be contagious. Switzerland is now afflicted with it. French and Italian capital, fleeing from the constantly dropping franc and lire, has so filled the coffers of the Swiss banks that they have more money than they can invest in the domestic market.

When such a situation occurs, it has been the custom to invest the surplus Swiss funds in Germany. Unfortunately that is not possible at this time, for Germany herself has more money than she can use in the present depressed condition of trade. So Swiss banks have been putting the excess into American securities until fall, when the revival of Swiss business is expected to make use of the funds.

The curious part of it is that France and Italy, whence the funds came, need the money. But experience has shown that money in those countries tends to melt away into thin air, through the process called depreciation (or inflation), and the owners of it naturally seek for a place where money will retain its value, even though it earns practically nothing. It is possible to observe this phenomena all over Europe at the present time. In those countries with stable money, Germany, England, Holland, Switzerland, money is abundant and easy to get. Yet close by, in France, Italy, Belgium, Poland, etc., money rates are high, and there is great difficulty in getting enough, because there is no confidence, if one invests money in those countries, that he will get back anything like the amount invested in purchasing power, though he may get back the same face value.

POLAND BACK TO WORK

Poland has turned from politics and gone back to work again. The farmers are busy harvesting a very good farm crop, and the coal miners are trying to get out enough coal to supply the increased demand from Britain while the strike is on. Dr. Kemmerer is studying the revision of the banking and currency system, and meanwhile the increased exports have raised the price of the zloty somewhat. Nothing has been heard of Marshal Pilsudski for over a month.

The Finance Minister has announced again that Poland will have no more inflation, and there is reason to hope that this resolve will be carried out. In the last few years, though circumstances have been against Poland, inflation has been more courageously resisted and fought off than in many stronger nations.

However, it requires more than resolve to avoid inflation. It requires knowledge as well. And the action of the ministry in trying to reduce the rate of the Bank of Poland from 12 per cent. to 10 per cent. does not seem wise. Such a reduction will promote rather than discourage inflation.

It is but reasonable to suppose that the rate of 12 per cent. was established because of a considerable demand for credit. Now it should be understood, especially by a finance minister, that when there is a demand for credit which exceeds the supply, the price must be raised until only enough of those desiring credit can pay the price of it to take up the whole supply. Each rise in the price eliminates some prospective buyers until the number of buyers equals the supply. Thus there is automatically enough to go around.

If the rate is not raised, or kept high, there are two other methods of adjusting demand to supply. Either demand can be cut to fit the supply by rationing credit; or supply can be increased to equal demand, which means extending a larger amount of credit on the same base of gold. This is inflation, and it seems what Poland is likely to be betrayed into if this policy of arbitrarily reducing interest rates is pursued.

As pointed out in the remarks on Switzerland, there is plenty of money available for investment, where the investors deem the money safe. The surest way, then, for Poland to get cheap money is to establish stable conditions which will encourage investment, and the money will flow there. But easy money cannot be created by decree, for any length of time.

CONFLICTING REPORTS FROM RUSSIA

The news from Russia is very puzzling. Dispatches even in reliable newspapers are so contradictory that one does not know what to believe. Either the authorities do not know the conditions, or the information is being purposely doctored to confuse. For example, a dispatch in the *New York Times* quoted Felix Dzerjinsky, head of the Supreme Soviet Economic Council, as saying that "there is a most immense and prodigious goods famine." He said that the "basic capital," that is, the whole of the apparatus of production taken by the revolution from the former leaders, is being utilized to the limit, and is being used up. This applies also to the national stock of skilled workers trained by the former bourgeois industry. Simultaneously it is evident that production is utterly insufficient for the needs of the country.

He suggests an improvement in administrative methods, the elimination of "unheard of" red tape and waste of time and labor which is now clogging the industrial machine. It is true, he says, that there is an excess of workers in shops. But that is inconsiderable, compared with the enormous waste of energy and red tape.

Then, less than three weeks later, in the same newspaper, another dispatch from Moscow stated that "figures on the increase of Soviet industrial production, published in *Economic Life,* comparing production for 1925-1926 with 1924-1925 show an advance of 44 to 45 per cent.

"That this represents genuine progress, especially in heavy industry, cannot be disputed. . . . The number of workers employed in industry increased 28 per cent. and the average pay 21 per cent., which seems satisfactory."

The reader is left to draw his own conclusions as to conditions in Russia.

RELIGIOUS TROUBLE IN MEXICO

Among the important events of the month which may indirectly have a considerable effect on business is the dispute between the church and the state in Mexico. Mexico is primarily a Catholic country, the bulk of the population being of that faith. President Calles charges that the priests sent to Mexico have been the cast offs of other countries; that the church, through its hold on the lives of the people, has tried to dictate to the government; and that it has been intolerant toward other religions, attempting, if possible, to drive them out. But his main objection is the interference of the church in the affairs of government.

To destroy, if possible, this alleged political power of the church, he has put into effect a series of laws very hostile to the Catholics. All schools are ordered to be non-sectarian. Religious magazines are forbidden to criticize the government. No foreigner is to be allowed to officiate as a minister. The wearing of any garb distinguishing the wearer as a member of a special religion, is forbidden. Monasteries are forbidden, and the inmates are ordered to return to community life. The property of the churches is decreed to belong to the state, and the churches occupy it during the pleasure of the state.

The Catholics have naturally resented these laws, and have taken some measures to protect themselves. They have closed the churches, they have asked the Pope to excommunicate the nation, and they have attempted to boycott business. The Pope has been reluctant to exercise the power of excommunication, but the boycott has made some headway.

Considerable alarm was felt at first, because the boycott included withdrawal of funds from the banks, and it was feared it might result in bank failures. However, it is evidently not so widespread as had been hoped, and no notable failures have occurred as yet. The effect has been slight because business was already bad in Mexico, and August and September are usually the dullest months in the season anyway.

Exchange has remained steady under the control of the National Bank of Mexico, though large gold shipments have been necessary to hold it. Mexico has also placed funds in the hands of the International Committee of Bankers on Mexico for the payment of the interest on the external bonds of that government for the second six months of 1926. Thus, so far as business is concerned, the situation is not yet alarming. It is doubtful if the Catholics are organized well enough to unseat Calles, which is the only hope they have of modification, for he has refused all pleas, and will not submit the question to arbitration.

BUSINESS IN LATIN AMERICA

Some improvement is reported in the business depression which has been extending over South America for several months. Rural conditions are improving in Argentina, though there is expected to be an overproduction of sugar. Stocks in the import market are still heavy, but liquidation is proceeding a little more rapidly than heretofore. The volume of exports is increasing.

Retail merchants still have heavy stocks in Peru, and collections are still slow. The further advance of the Peruvian pound to $3.795, however, has caused a growing feeling of confidence, and importers have been paying off old accounts and increasing their imports.

Uruguay, which is enjoying easy money, has also experienced some improvement. Conditions for the crops were favorable during July, and the farmers are much encouraged.

The food shortage due to the drought in British Guiana has been relieved by heavy rains.

Exports from Brazil are increasing, though imports are slow. The trade in textiles is dull, and sales of automobiles in July were less than in June. The extent of depression is evident in the extreme tightness of money and the frequency of bankruptcies. Recently there have been several bank failures. The trouble is blamed on the unsettlement of the exchange.

In Chile, too, money rates are high, and it is hard to get credit. Production of nitrate and copper are reported good, and weather conditions are more favorable to agricultural activity. A slight increase in the movement of agricultural implements, automobiles, mining equipment, and hardware is noticed, but there is no improvement in sales of textiles, office devices, and iron and steel products.

MORE BANKS NEEDED IN INDIA

The Department of Commerce has recently published an interesting survey of banking facilities in India, the most striking feature of which is that India, with an area two-thirds that of the United States, has only 936 banks as compared with some 30,000 in the United States. Even this is a considerable improvement, for in the last ten years the number of banks in India has nearly tripled.

There are three types of banks in India: the local banks, the branches of foreign banks, and the Imperial Bank of India. In the last five years the Imperial Bank has been gaining in deposits at the expense of the joint stock local banks and the foreign banks. The co-operative local banks, however, have been growing right along with the Imperial Bank.

There are still over 450 towns with populations of over 10,000 where practically no banking service is available, and over 700,000 villages which have no banking facilities whatever.

The slow growth of banking is due to several reasons. First of all, failures have been so frequent and disastrous that the risk of starting a bank there is almost prohibitive. Between 1913 and 1917, no less than 34 per cent. of the paid-up capital of the joint stock banks was lost through liquidation and failures. Again, the people are given to hoarding their money rather than placing it in the banks, and it is hard to build up deposits. Finally, the people are generally ignorant of banking practice, and it is very difficult to secure efficient management for increased service.

Whatever increase in facilities there is must evidently come from the co-operative institutions or the small local banks, for the larger banks are not willing enough to modify their practice to conform with local conditions to get business.

To help fill this gap the government has started an inquiry, calculated to increase the facilities for deposits, to replace hoarding; to provide proper banking education and create a class of trained bankers; to supervise the joint stock banks; to extend the remittance and clearing house facilities; and thus, eventually, to create a wider market for government securities.

There is an opportunity for business for American banks in India evidently if they can conform to native customs sufficiently to create confidence.

BUSINESS IMPROVEMENT CONTINUES IN CANADA

BY J. W. TYSON

THE moderate and generally healthy business improvement noted in Canada during the first half of the year is being continued into the late summer months in a satisfactory way. Earlier crop prospects have been modified to some extent but western Canada is working on what promises to be at least an average harvest while agricultural conditions in eastern Canada are splendid as to output and prices insure reasonable profits.

Industrially, too, betterment continues. The index number of employment in all industries prepared by the Dominion Bureau of Statistics stood at 95 in the beginning of July—the highest point for some years. Such a showing for midsummer must be regarded as distinctly gratifying. The forthcoming September federal election is causing a minimum of business disturbance. In the financial and industrial communities the feeling is pretty general that any change from the situation of political stalemate which has existed for months at the capital will be for the better.

While industrial operations are on a satisfactory level, particularly for the summer season, wholesale distribution and retail sales are improved over last year and a greater circulation of bank and government notes, with an increase in the debits to individual bank accounts, reflects large buying power. Car loadings for the year to date show an increase of nearly 13 per cent. while cars of merchandise shipped are greater by more than 6 per cent. Building permits for Canadian cities show an increase of between 3 and 4 per cent., while construction contracts show a much larger increase. Automobile production for the year to date is larger by about 27 per cent. in dollars. Gross earnings of the Canadian railways show an increase of about 14 per cent. The balance of trade for the last year shows an improvement of $100,000,000 or about 35 per cent. Bank deposits are substantially larger. On the other hand business failures are less in number and involve a decreasing amount of liabilities.

FOREIGN TRADE IMPROVES

Canada's improved foreign trade is indicated by total exports for the last twelve months of $1,349,000,000, compared with $1,090,000,000 for the preceding twelve months. Imports also showed a considerable increase, but the balance of trade increased from $281,000,000 to $387,000,000. Increased buying of Canada's food stuffs and raw materials by Europe and the Orient is noted, as is the ever-growing demand for forest products by the United States. Japanese purchases during the last year increased from $20,000,000 to $38,000,000 and Chinese purchases from $5,000,000 to $26,000,000. No other country has anything like the record of expansion in exports enjoyed by Canada in the last three years. This has meant prosperity for the basic industries—agriculture, mining, lumbering and fishing.

Despite unsatisfactory conditions in the steel industry of the Maritime Provinces, where a reorganization of the Dominion Steel Corporation and the Nova Scotia Steel & Coal Company seems desirable and where the French exchange situation has recently cut off exports of ore to that market, the iron and steel industries generally are enjoying increased business. In this the consumption of steel in the automobile and agricultural implement industries is an important factor. For the first half of 1926 the cumulative production in the automobile industry was 33 per cent. above the same period of 1925.

IMPLEMENT INDUSTRY REVIVAL

In the implement industry there has been a marked revival since midsummer of 1925, when a good crop in western Canada was assured for that year. In this industry the fact should not be overlooked that the improvement comes after a period of marked depression and it is doubtful if even yet business is in a normally healthy condition. Farmers are continuing to buy implements sparingly, but it is felt that another good crop will lead to more confidence in this connection. Export trade in the implement industry has been better but exchange conditions, especially with regard to France, are now presenting a problem and the outlook in South America is not regarded as favorably as last year. Concerns manufacturing accessories for the automobile and implement industries are enjoying prosperity. The shares of the Steel Company of Canada, the leading industry in the manufacture of general steel products, have for some months now been above par for the first time in the concern's history.

While there is an improvement in the lumber industry, consumption has not attained proportions to eliminate price-cutting and permit satisfactory profits. Business is highly competitive. Building for the first half of 1926 showed an increase over last year but not as great as was looked for. For this reason the domestic lumber trade has been somewhat disappointing. Export business has been more satisfactory.

The fisheries, and particularly the salmon industry of the Pacific Coast, are enjoying a measure of prosperity. The new salmon season in British Columbia opened under favorable conditions. The packers are decidedly cheerful in the face of a noticeable increase in world demand for their products. They are in the satisfactory position of being able to meet this demand at prices showing a fair margin of profit. Since the demand for salmon is steadily increasing, serious steps are being considered for the maintenance of the salmon supply in the Pacific coast rivers.

TEXTILE BUSINESS INCREASES

Increased business is being experienced by the Canadian textile companies, one of the leading manufacturers reporting an expansion in sales of better than 10 per cent. as compared with last year. Hosiery manufacturers, however, report a serious loss in export business by the cutting off of the British market—the result of the duty imposed on silk hosiery last July. Canadian manufacturers were particularly disappointed in regard to the British tariff in that the preferential allowance of one-sixth was not sufficient to give them any real advantage over American competitors. Any business gained under the present arrangement must be on the basis of style and quality rather than price. Manufacturers of cashmere yarn complain that they have not been given anticipated protection and that while they must pay heavy duties and sales tax on supplies and equipment, foreign manufacturers ship in the finished products without paying either sales tax or duty. Where such conditions prevail Canadian manufacturers declare that they are merely producing to keep up production and keep their workers employed in the hope that a change of policy at Ottawa will bring about more favorable conditions.

Renewed popularity of the pulp and paper stocks is taken as an indication that fears of over production during the latter part of the year are being dissipated. A few months ago paper securities were sold with the indications of an approaching depression in the United States and the announcement of plans which will add about 1150 tons to the daily Canadian output by 1927. Now, however, a return of prosperity in the United States has been marked by an enlarged demand for Canadian paper products and the indications are that, as in the past, the increased production will be absorbed without drastic price competition. Confidence in the future of the industry is being restored also by the caliber of the men—including outstanding figures in the industrial and financial community—who are behind the various projects now being carried to completion. For the first six months of 1926 the exports of pulp and paper amounted to $82,866,000 compared with $73,323,000 for the corresponding period of 1925—an increase of $9,543,000, or 13 per cent.

MORTGAGE COLLECTIONS GOOD

Improvement in financial conditions in western Canada is indicated by mortgage collections on urban property. Such collections have given a great deal of difficulty to the mortgage companies since the break in the real estate boom prior to the outbreak of the war. It is reported that in Winnipeg interest payments are the best in fifteen years while in Calgary and some of the other cities there has developed a demand for residential property which has necessitated building on rather an extensive scale.

Interviewed in Winnipeg recently with regard to Canadian business prospects, Sir Frederick Williams-Taylor, general manager of the Bank of Montreal, said:

"Canada's position today is a tribute to her recuperative powers. Compare conditions here with those of any other country which participated in the war from the very first and you will realize how fortunate we are. We still have a heavy load of taxation to carry, but like Great Britain, we are one of the very few countries which are meeting their war obligations fully and unreservedly. Not only that, but we are improving our condition every day. During the current year there has been a noticeable betterment in domestic business and the expansion of our export trade, with an increasing balance in our favor, is a tribute to the energy and enterprise with which we, as a people, are putting our house in order."

INTERNATIONAL BANKING NOTES

THE statement of the Ottoman Bank, Constantinople, as of December 31, 1925, shows total resources of £21,738,505, paid-up capital £5,000,000, statutory reserve £1,250,000 and current accounts £11,450,442.

AT a meeting of the American section of the International Committee of Bankers on Mexico held recently in New York, Vernon Munroe was appointed secretary to succeed to late Ira H. Patchin who had been the committee's secretary since its organization in 1919. Mr. Munroe has for several years been a member of the staff of J. P. Morgan & Co. and has given special study to matters pertaining to Latin America.

THE statement of the Union Bank of Australia, Limited, London, for the year ended February 27, 1926, showed a net profit, after providing for all expenses and for doubtful debts, of £720,512, which sum includes £92,901 brought forward from previous account. The interim dividend at the rate of 15 per cent. per annum paid on January last, absorbed £262,500, leaving the amount available for distribution £458,012. This sum has been disposed of as follows:

	£
To provision for new buildings....	50,000
To addition to bank's reserve fund (which is thereby increased to £4,200,000)	50,000
To additional dividend for the year at the rate of 15 per cent. per annum	262,500
Carried forward to next account....	95,512

During the last year the bank has opened branches at Echuca, Jeparit and Swan Hill in Victoria, at Dubbo, New South Wales, and at Capel in Western Australia, while the branch at Charters Towers, Queensland, has been closed.

THE statement of the Midland Bank Limited, London, as of June 30, 1926, shows total resources of £408,138,849 as compared with £401,795,324 for the corresponding date in 1925. Current deposit and other accounts (including balance of profit and loss) stand at £349,460,874 as compared with £348,359,435 as of June 30, 1925. Paid-up capital stands at £12,665,798 and reserve fund at £12,665,798 as compared with £11,976,890 and £11,976,890 as of the corresponding date in 1925.

THE directors of Lloyds Bank Limited, London, have declared an interim dividend for the half year ended June 30, last, payable on and after July 31, of 6s. 8d. on each "A" share, being at the rate of 16-2/3 per cent. per annum (the same rate as the previous year) and 6d. on each "B" share being at the maximum rate of 5 per cent. per annum. In each case the dividend is payable less income tax.

THE directorate of the recently created Central Bank of Issue of Ecuador has been constituted as follows: Alfonso Game of the Bank of Ecuador, Modesto Sanchez Carbo of the Banco Agricola and Gonzalo Cordero and Alberto Bustamente of the Banco Azuay.

THE statement of The National Bank Limited, London and Dublin, for the half-year ended June 30, 1926, shows a net profit, after providing for all expenses and including £28,013 brought forward from the previous half year, of £210,431. This sum has been disposed of as follows:

	£
To payment of a half-yearly dividend at the rate of 14 per cent. per annum, less income tax	95,812
Transferred to reserve fund	35,000
Transferred to income tax and contingencies account	35,000
To reduction of bank premises account	15,000
Carried forward to next account	29,618

THE statement of the Westminster Bank Limited, London, as of June 30, 1926, shows total resources of £298,581,877, paid-up capital £9,320,157, reserve fund £9,320,157 and current, deposit and other accounts £270,286,855. An interim dividend at the rate of 10 per cent. per annum has been declared for the half-year ended June 30, on the £20 shares and the maximum dividend of 6¼ per cent. on the £1 shares for the same period, payable August 2.

THE statement of the Bank of New Zealand, Wellington, as of March 31, 1926, shows total resources of £49,763,649, paid-up capital £6,154,988, reserve fund £2,577,310 and total deposits £31,121,288. Net profit for the year, after providing for all expenses, for bad and doubtful debts and for other contingencies, and including balance of £513,299 brought forward from previous account, amounted to £1,525,459. Of this amount a dividend on the preference "A" shares and an interim dividend on the preference "B" shares and on ordinary shares absorbed £341,582, leaving available for distribution £1,183,877. This sum has been disposed of as follows:

	£
To dividend on preference "B" shares	120,809
To dividend on ordinary shares....	250,000
Transferred to reserve fund (bringing reserve fund to £2,825,000)......	247,689
Carried forward to next account....	565,378

During the last year the bank of New Zealand opened agencies at Avondale, Clevedon, Ellerslie, Henderson, Richmond, Wakefield and Walton. The agency at Owaka has been made a branch and the agency at Aratapu has been closed.

THE statement of The Manchester and County Bank Limited, London, as of June 30, 1926, shows total resources of £22,560,170, paid-up capital £1,092,040, reserve fund £1,045,000 and current deposit and other accounts £20,404,401.

THE statement of the Queensland National Bank Limited, Brisbane, as of June 30, 1926, shows total resources of £14,459,792, paid-up capital £1,500,000, reserve fund £710,000 and total deposits £8,566,481.

THE statement of the Standard Bank of South Africa Limited, London, for the year ended March 31, 1926, shows net profits for the year, after providing for all expenses and for bad and doubtful debts, and including a balance of £109,150 brought forward from previous account, of £680,138. Out of this sum an interim dividend at the rate of 14 per cent. per annum was declared for the half-year ended September 30, 1925, absorbing £156,042, and £75,000 was carried to bank premises account, leaving available for distribution a balance of £449,097. This amount has been disposed of as follows:

	£
To officers' pension fund	125,000
To a dividend at the rate of 14 per cent. per annum	156,042
To a bonus of 2s. 6d. per share	55,729
Carried forward to next account....	112,326

Total assets of the Standard Bank of South Africa stand at £65,086,464, paid-up capital £2,229,165 and reserve fund £2,893,335. The bank's New York agency is at 67 Wall street.

HOW BRITISH BANKERS ARE TRAINED

BY H. A. WILLIAMS

MEN'S ideas differ from country to country. For example, in England branch banking is the rule; in America it is vigorously fought. French and German commercial banks deal in securities, and have considerable directing interest in business enterprises. In America this is left entirely to the investment banker. With such different conceptions of banking, it is natural, to find the machinery for the education of bankers in England much different from that in America.

The Institute of Bankers (the British prototype of the A. I. B.) was organized in 1879. One year later it reported a membership of about 1700; by 1900 it had almost 4000; in 1914 the membership totalled 10,000; and at the last report there were about 25,000 enrolled. The A. I. B., which covers a larger territory, has a membership of about 57,000.

ATTENTION TO EDUCATION

The two organizations are similar in many features. Education has a large share of the interest of both. In the A. I. B. it is the principal aim, for the A. I. B. "is devoted to the education of bankers in the theory and practice of banking and such principles of law and economics as pertain to the banking business; and the establishment and maintenance of a recognized standard of banking education, by means of official examinations and the issuance of certificates of graduation." The constitution of the Institute of Bankers states its purpose as: "First, to facilitate the consideration and discussion of matters of interest to bankers; second, to afford opportunities to its members for the acquisition of a knowledge of the theory of banking; third, to take any measures which may be desirable to further the interests of banking." While the statement of aims of the Institute of Bankers covers the broader field, in practice, the A. I. B. engages in all these through the debate sections, the bankers forums, the lectures before the chapters, the social functions and the conventions.

Each organization issues a magazine. In England it is the *Journal of the Institute of Bankers,* and is issued monthly. It contains reprints of various papers and lectures, as does the quarterly *Bulletin of the American Institute of Banking,* and in addition has several regular departments containing reports of legal decisions, statements of banks and reviews of new books and current periodicals. One of the most valuable features is the section devoted to answering questions of practical interest which members are encouraged to lay before the council of the institute. From time to time the answers to these questions are collected in a volume and placed on sale, the number of copies sold running over 30,000.

Both institutes work through local chapters as well as through the central organization, the local chapter being much more important in the United States than in Britain.

POINTS OF DIFFERENCE

There are several grades of membership in the Institute of Bankers, in which it differs from the American Institute of Banking. Ordinary membership in both organizations is open to all bank people. In the English institute this membership costs ten shillings and sixpence a year. When the member has passed the examinations for a certificate, similar to the A. I. B. Standard Certificate, he becomes a Certified Associate member, and is entitled to sign "Cert. I. B.," after his name. He may later be elected an Associate, or a Fellow by the council and, if so, he pays an annual fee of one guinea or two guineas respectively. There does not seem to be anything in the Institute of Bankers corresponding to the sustaining membership of the A. I. B., nor is there any provision for what the A. I. B. calls "associate membership" by people not employed in banks. It is indicative of the effort to include the older men in the Institute of Bankers that most of the presidents of the institute have been partners in banking houses, or the heads of banks. In America, where the A. I. B. is frankly an organization of the younger bankers, the presidents are usually junior officers of banks.

METHODS OF EDUCATION

It is rather paradoxical to find that, while one of the purposes of the Institute of Bankers is "to afford opportunities to its members for the acquisition of a knowledge of the theory of banking," it has no educational classes in banking. It relies on the debate sections, the lectures, and the papers and questions in the *Journal of the Institute of Bankers* to take the place of such courses. Or the aspiring banker may study independently or under a tutor. Each year examinations are given in the practice and law of banking, economics, English composition, commercial geography, foreign exchange, French, German, Italian, Portuguese and Spanish. Each subject has two parts. A year prior to the examinations a syllabus of the ground to be covered and suggesting books for study is forwarded to all members desiring it to be used to guide the study.

All the subjects named above, with the exception of the foreign languages, must be studied, and examinations in both parts passed within two years to receive a certificate. Applicants for examinations state the town in which it will be most convenient for them to take the examination, and the council arranges the places as most convenient for the candidates. Printed examination papers are forwarded in sealed packets, to be opened in the presence of the candidates at the time of the examination. The papers when completed are sent to the central office of the institute and graded for certificates. A number of prizes are awarded each year for special excellence in various subjects.

The relatively slight importance attached to technical courses in banking in England is evident from the list given. Only two subjects are directly connected with banking; the rest are of a more general nature. In the A. I. B. the tendency is to have courses in credit, investments, trust administration, and other technical aspects of banking.

Another noticeable difference is the great stress placed on foreign languages. The only courses conducted by the Institute of Bankers are the language classes in London. In addition to the regular two examinations, a third special examination, both written and oral, is required before a diploma in a language is awarded. The English bankers believe that a knowledge of a language is of little value unless it is a thorough knowledge.

Subject to certain conditions, a scholarship of £30 is awarded annually to the most successful candidate in each language, to enable him to spend two months in a bank in a country where the language in which he has been examined is spoken.

It is in this emphasis on foreign languages that the Institute of Bankers differs most from the A. I. B., for in the United States practically no attention is paid to foreign languages by the bankers. The reason is obvious. Banking is, in America, still largely a domestic operation. It is organized primarily to serve local trade and only the larger city banks have any foreign business to speak of. In England, however, banking is tied up with international trade. Perhaps the bulk of the business of the British banks comes from outside the British Isles. The tradition of London as an international financial center and the nearness to the continent have both contributed to this. Many of the men, therefore, must know foreign languages, and since the banks no longer employ foreigners as foreign correspondents to the extent to which they did before the war, these men must be Englishmen with language training.

Traveling toward the same destination —thoroughly trained bankers—the two institutes go by different roads. The type of bankers produced is evidence that they both get there and that is the important thing. Any educational method must be judged by its results. By this standard, the work of the Institute of Bankers is eminently successful.

BANKING AND COMMERCIAL LAW

[Continued from page 336]

so they must not overlook the fact that the first principle of equity is justice. It is not only interesting but desirable to know exactly what is being attempted. Are technicalities being invoked to lead a court of equity to do injustice? Are these bona fide actions to right a wrong, or are the parties with an ulterior purpose attempting to use a court of equity to accomplish a questionable result, though professing otherwise?

As the object of these actions and the effect of the injunctions may be to open the way to a competing institution to engulf the defendant bank and its management, or to permit several speculators to embarrass the bank in the accomplishment of their designs, the orders should have at least awaited a trial. The trial may uncover the real object of the actions and it may disclose where the equities really lie.

The authority for the agreement seems to be ample. Every precaution has been taken to comply with the conditions of the statute. The amendment did not attempt to nullify either directly or indirectly the voting trusts already created. The statute itself indicates the public policy of this state as to the subject involved, and it expresses the limitations which the Legislature deemed necessary to safeguard the interests of the state.

At Special Term it was said the agreement is against public policy, reference being made to certain cases, including the Shepaug Voting Trust Cases (60 Conn., 553, 1890) and Cone v. Russell (48 N. J Eq., 208, 1891). When these cases were decided ideas as to corporations and trusts were radically different from what they are today. Many old theories have been discarded. Moreover, in those cases it was found that illegal purposes were covered up by the agreements. It is contended for appellant that the courts which disposed of those cases would have decided otherwise if the voting trusts which they considered were necessary for self-preservation and had been intended to accomplish beneficial results.

In this connection it is pointed out that it was said in Cone v. Russell (supra): "This conclusion does not reach so far as to necessarily forbid all pooling or combining of stock, *where the object is to carry out a particular policy with a view to promote the best interests of all the stockholders.* The propriety of the object validates the means and must affirmatively appear." . . .

The respondent also contends that the amendment to the Banking Law being retroactive annulled all outstanding or existing voting trusts.

The provisions of the statute relating to banks is not retroactive; it speaks of the future and does not interfere with a contract which was valid when made.

In Union Pacific R. R. v. Laramie Stock Yards Co. (231 U. S., 190, 199) Mr. Justice McKenna said: * * * "The first rule of construction is that legislation must be considered as addressed to the future, not to the past. The rule is one of obvious justice and prevents the assigning of a quality or effect to acts or conduct which they did not have or did not contemplate when they were performed. The rule has been expressed in varying degrees of strength, but always of one import, that a retroactive operation will not be given to a statute which interferes with antecedent rights or by which human action is regulated, unless such be 'the unequivocal and inflexible import of the terms, and the manifest intention of the Legislature' (United States v. Heth, 3 Cranch., 399, 413; Raynolds v. McArthur, 2 Pet., 417; United States v. Am. Sugar Refining Co., 203 U. S., 563, 577; Winfree, adm'r, v. Northern Pacific Ry. 227 U. S., 296)."

In Jacobus v. Colgate (217 N. Y., 235, at p. 240) the Court of Appeals stated the law as follows: "The general rule is that statutes are to be construed as prospective only (27 Halsbury's Laws of England, p. 159). It takes a clear expression of the legislative purpose to justify a retroactive application. * * *"

Section 93 of the General Construction Law reads as follows: "Effect of repealing statute upon existing rights. The repeal of a statute or part thereof shall not affect or impair any act done, offense committed or right accruing, accrued or acquired, or liability, penalty, forfeiture or punishment incurred prior to the time such repeal takes effect, but the same may be enjoyed, asserted, enforced, prosecuted or inflicted as fully and to the same extent as if such repeal had not been effected."

See also People v. N. Y. C. & H. R. RR. (156 N. Y., 570, 574).

Legislative debates may be resorted to for the purpose of ascertaining what was intended by the Legislature.

In People ex rel. Fleming v. Dalton (158 N. Y., 175, at p. 184) the court said on that subject: "If there was any doubt as to the meaning of the Act of 1898, or the intention of the Legislature in passing it, recourse might be had to the records and journals of that body, showing the history of the measure and the debates thereupon for the purpose of ascertaining that meaning and intention. * * * The counsel for appellant has submitted, as part of his brief, a copy of the minutes of the debate on the Act of 1898 taken by the official stenographer of the Assembly. These minutes disclose that the entire debate proceeded upon the assumption that this act applied to the City of New York, and was brought forward to meet the opinion of the Corporation Counsel of the City of New York that the provisions of the charter of the city should prevail over the general civil service laws of the state."

From this source we have material to show that section 50 was not intended to affect outstanding voting trusts. In the State Senate some of the members displayed not only an unusual interest in but the probable motive for this legislation, endeavoring to have the act affect existing voting trust agreements. The debates show conclusively that the act was not to be retroactive and was passed with that understanding.

It is argued that section 26 of the General Corporation Law, to the effect that "no officer, clerk, teller or bookkeeper of a corporation formed under or subject to the Banking Law shall act as proxy for any stockholder at any meeting of any such corporation" evidences a public policy against such an agreement.

The agreement expressly provides that persons other than officers of the bank may be the trustees, clearly meeting the situation should it be held that this section of the law referring to proxies to a voting trust agreement is applicable. If a particular trustee is disqualified or cannot act, the agreement is not rendered ineffective. This contingency is provided for by naming others to act in such a situation.

With reference to section 26 Cushing on Voting Trusts (p. 124) contains the following statement as the rule governing such cases: "Perhaps the most elusive objection to the enforcibility of voting trusts is that which rests on the theory that such a trust is nothing more than a collective proxy and revocable as is any proxy. If this theory were correct, the many statutes limiting the effective duration of a proxy would also operate to render totally ineffective a voting trust, for while less than half of the states prescribe a limit for the life of a proxy, yet that limit varies from seven years to as short a period as thirty days. Those who suggest an analogy between a proxy and a voting trust agreement ignore certain fundamental differences between them. The usual proxy merely establishes a relation of principal and agent terminable by the principal at will either through revocation or through sale of his stock. The voting trust agreement vests in the trustees an interest in the stock which the original owner obviously is unable to nullify by any sale of stock and which he cannot otherwise cancel except through an attempted breach of contract. The holder of a proxy has no control over the stock itself, while the voting trustees have the possession of the stock as well as the legal title to it. The proxy creates a relation of a temporary character under a restrictive statutory authority; the voting trust is created without the need of statutory license and confers not a revocable authority upon an agent, but a qualified title upon a transferee of property."

The legislative sanctioning of voting trusts arose nine years after the statute prohibiting officers of banks from acting as proxies. This clearly indicates that the Legislature appreciated the difference and was providing therefor. The distinction between proxies and the power given to trustees by voting trusts is well stated in Boyer v. Nesbit (227 Pa., 398), where it was said: "In answer it may be said that no question of the right to vote by proxy arises in this case. It seems

perfectly clear that the proviso referred to has reference to formal proxies given by a stockholder authorizing the person designated therein to vote his stock at a meeting or an election. No proxy of any kind was given in the case at bar and therefore the sixty-day limitation has no application. In the present case the persons in whose names the stock stands on the books of the company vote the same as they have the prima facie right to do under the express provisions of our statutes."

It is also contended that after the enactment of the amendment to the Banking Law prohibiting voting trusts no one could lawfully join or enter an existing voting trust. The Banking Law merely prohibits the making of voting trust agreements in the future. It has nothing whatever to do with individual action in relation to existing agreements or with the accrued rights of anyone connected with a bank under and by virtue of such pre-existing voting trusts. Their rights were fixed before the amendment was passed and may not be limited or curtailed thereby.

It was stated by the court at Special Term that respondents or their representatives have a right to buy stock if they see fit, and to acquire control of the bank. It may not be amiss to say that those who own the stock of the bank have a right to self-protection against any such threatened invasion. The right of self-protection would seem to be entitled to at least as much consideration from the court in its exercise of equitable jurisdiction as the rights of people who may be endeavoring to speculate or gamble in the bank's stock. It cannot be said now that the equities are not with the appellants.

The orders should be reversed, with $10 costs and disbursements, and the injunctions denied, with $10 costs.

All concur.

BANK LIABLE IN COLLECTING CHECKS ON AGENT'S UNAUTHORIZED INDORSEMENTS

Atlantic Trust Co. v. Subscribers to Auto Ins. Exchange, Court of Appeals of Maryland, 133 Atl. Rep. 319.

A bank which collects checks on the unauthorized indorsements of the agent of the payee is liable to the payee for the amount misappropriated by the agent. An agent may have authority in this respect, but authority to indorse cannot be implied from the fact that the agent is a commission agent or that the principal designates him as a resident manager.

The plaintiff company was engaged in the business of insuring automobiles and had its home office in Philadelphia. In Baltimore, its resident agent was one Leland, who received his compensation in the form of commissions and personally paid all of the expenses of the Baltimore office. He solicited business on behalf of the plaintiff and collected premiums, which he forwarded to the plaintiff by his own personal check. He had no actual authority to indorse checks payable to the plaintiff.

Leland opened an account in his individual name in the defendant trust company. In this account he deposited checks payable to the order of the plaintiff, which checks he indorsed with a rubber stamp found by him in his office when his agency began. The stamp was in this form "Automobile Insurance Exchange, by Exchange Operators, Inc." Underneath the stamp indorsement on each check he indorsed "J. W. Leland, Res. Manager." He forwarded several checks against this account to the plaintiff for premiums collected but he also checked out a sum of money from the account belonging to the plaintiff, for

[Continued on page 398]

FINANCIAL ADVERTISERS' ASSOCIATION

In September

all Roads Lead to Detroit

Extract from
"Trust Companies" Magazine
June, 1926

The Financial Advertisers' Association has demonstrated incalculable usefulness in aiding its members to profit from cumulative experience and to attain the highest measure of effectiveness in advertising and promotion. The membership is only six hundred. It would be nearer six thousand if all banks and trust companies that are spending large sums of advertising and campaign money would become alert to the advantages of joining this association. This is particularly true in view of recent extensions of service and intensive work in connection with the clearing house of information maintained at the central office, the publication of monthly bulletins, folio exhibits, year book, research organization, buyers' service, confidential files and other facilities. Especially noteworthy is the preparation of a textbook on financial advertising which will crystallize the best bank and trust company judgment and experience in the country.

TO a "brass-tack" convention full of help and inspiration for Financial Publicity and New Business men and women—*a convention you will never forget*

ELEVENTH CONVENTION
Financial Advertisers' Assn.
Sept. 20-21-22-23

Yours for 4 days
Detroit

FINANCIAL ADVERTISERS' ASSOCIATION
HEADQUARTERS 231 S. LA SALLE STREET, CHICAGO

HOW BANKS ARE ADVERTISING

THE stage is set for the eleventh annual convention of the Financial Advertisers' Association at the Hotel Statler, Detroit, Mich., September 20 to 23 inclusive. The program for the convention is the most comprehensive yet planned for any gathering of the association, and includes a wide range of timely and important subjects presented by a highly competent group of speakers, among whom are included many of the recognized leaders in the field of financial publicity.

The exhibit of financial advertising has been one of the features of the association's annual meeting for several years past, and includes examples of the best advertising efforts of the year made by leading banks and investment houses of the country. Plans for this year's exhibit show that it will be the largest and most extensive of its kind ever shown.

CARROLL RAGAN
President of the Financial Advertisers' Association and advertising manager of the United States Mortgage and Trust Company, New York.

CLINTON F. BERRY
Chairman of the program committee for the Detroit convention and second vice-president of the Financial Advertisers' Association; assistant vice-president of the Union Trust Company of Detroit.

The convention will be divided into general and department sessions, all to be held at the Hotel Statler, the general sessions being held on the morning of September 21, and on the afternoon of September 22. Four department sessions will be held, centering, respectively, on savings, trust, investment and commercial advertising. The savings and trust sections will meet on the afternoon of September 21, and the investment and commercial meetings will be held on the morning of September 22.

The first day of the convention, Monday, September 20, will be given over to the welcoming and registration of the delegates, and to a golf tournament. Thursday, September 23, the last day of the convention, will be known as "Industrial Day" and delegates to the convention will be given an opportunity to go through the Ford Motor Company's huge plants and to visit the administration building and the Ford Airport. A number of

H. G. HODAPP
Of the National City Bank of New York, first vice-president of the F. A. A., who will be made president at the close of the convention.

other interesting features are also planned for the closing day of the convention. The

C. H. Handerson
Publicity director of the Union Trust Company of Cleveland, Ohio, who will act as chairman of the commercial department meeting during the F. A. A. convention in Detroit.

program of the convention follows:

MONDAY, SEPTEMBER 20

1.30 p. m. Annual golf tournament.

7.30 p. m. First annual board of directors dinner.

7.30 p. m. Extension committee dinner.

TUESDAY, SEPTEMBER 21

Morning session:

9.00 a. m. Laurence P. Smith. Address of welcome. President Central Savings Bank, Detroit.

9.10 a. m. James Schermerhorn. Address of welcome.

9.25 a. m. President's message. Carroll Ragan, United States Mortgage and Trust Company, New York City.

10.00 a. m. John G. Jones. Address. Advertising director Alexander Hamilton Institute, New York City. "Financial Advertising as an Economic Factor."

10.45 a. m. Charles R. Wiers. Address. President Direct Mail Advertising Association, Boston.

11.30 a. m. Paul R. Cherington. Address. Director of Research J. Walter Thompson Company, New York City. "Media."

12.15 p. m. Luncheon. Speaker, "Eddie" Guest.

Afternoon session:

SAVINGS DEPARTMENT

2.00 p. m. Fred W. Ellsworth, chairman. Vice-president Hibernia Bank and Trust Company, New Orleans.

Julian M. Case
Manager business extension department of the Dime Savings Bank of Detroit and chairman of the exhibit committee of the F. A. A. convention.

Preliminary Remarks

2.30 p. m. Guy W. Cooke, assistant cashier First Na-

F. W. Ellsworth
Vice-president of the Hibernia Bank and Trust Company of New Orleans and one of the founders of the Financial Advertisers' Association, who will act as chairman of the savings department meeting.

tional Bank, Chicago. "A Review of Savings Bank Advertising."

3.05 p. m. George K. Reed, vice-president Edwin Bird Wilson, Incorporated, New York City. "Mass Plan of Advertising for Building Up Savings Accounts."

3.40 p. m. C. E. Auracher, assistant cashier Cedar Rapids Savings Bank and Trust Company, Cedar Rapids, Iowa. "How We Advertise for Savings Accounts in Cedar Rapids."

4.15 p m. H. G. Hodapp, National City Bank, New York City. "Methods Employed for Obtaining Savings Accounts in New York City."

5.00 p. m. adjournment.

TRUST DEPARTMENT

2.00-5.00 p. m. Ernest L. Colegrove, chairman. Assistant trust officer Guarantee Trust Company, New York City.

Preliminary Remarks

Speakers:

Julius C. Peter, vice-president Detroit Trust Company, Detroit. "The New Business Department in Perspective."

Miss Nora Kirch, manager of women's department Louisville Trust Company, Louisville, Kentucky: "The Value of Women in the Trust Field."

Theodore Tefft Weldon, vice-president William Elliott Graves, Incorporated, Chicago. "The Coming Trend in Trust Advertising and New Business Effort."

Arthur F. Young, vice-president Guardian Trust Company, Cleveland. "The Trust Officer and Trust Advertising."

Appealing to the depositor's sense of convenience in a well balanced and carefully constructed advertisement.

WEDNESDAY, SEPTEMBER 22

Morning session:

INVESTMENT DEPARTMENT

9.00 a. m. Opening remarks by the chairman of the meeting: Paul T. Bollinger, of Harris, Small & Co.

9.05 a. m. Address: "Making Advertising Safe for the Reputable Investment Dealer," by Edward L. Greene. Managing Director National Better Business Bureau, Inc.

9.35 a. m. Outline of the work of the Investment Department Research Committee by its chairman: A. E. Bryson, of Halsey, Stuart & Co., Inc.

9.45 a. m. Report by the chairman of the Sub-Committee on Markets: H. G. Hodapp, of The National City Company.

10.00 a. m. Discussion.

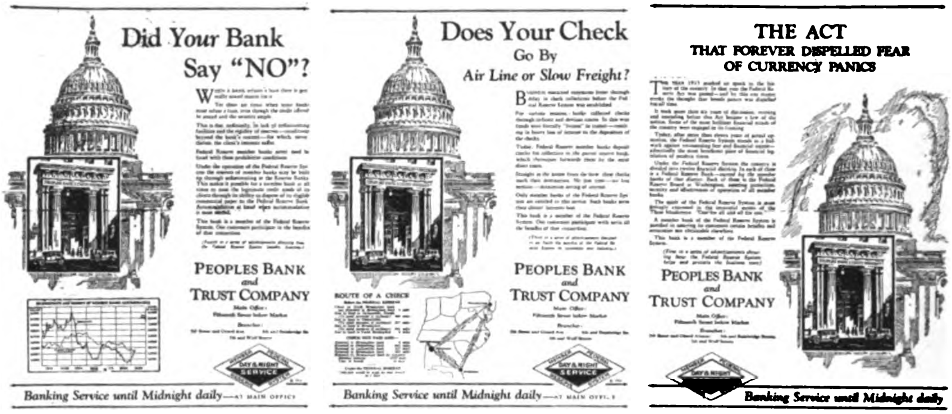
10.15 a. m. Report by the chairman of the Sub-Committee on Media: H. B. Matthews, of S. W. Straus & Co.

10.30 a. m. Discussion.

10.45 a. m. Report by the chairman of the Sub-Committee on Methods: Paul T. Bollinger, of Harris, Small & Co.

11.00 a. m. Discussion.

11.15 a. m. Report by the chairman of the Sub-Committee on Direct Mail Ad-



Three of a series of advertisements of a Philadelphia bank stressing the value of the services of the Federal Reserve System to member banks.

vertising: Edmond Boushelle, of A. B. Leach & Co., Inc.

11.30 a. m. Discussion.

11.45 a. m. Address: "The Bond House and Its Advertising," by Edgar G. Criswell, manager of the Financial Department of the "Quality Group."

One of the reasons why A. B. A. Travelers' Cheques are so well known and so widely used may be laid to the consistently good advertising, of which the above is an example.

12.15 p. m. Adjournment.

COMMERCIAL DEPARTMENT

9.00-12.15. C. H. Handerson, chairman. Publicity director Union Trust Company, Cleveland.

Preliminary remarks

Speakers:

Dr. W. F. Gephart, vice-president First National Bank, St. Louis. "Backing Up the Advertising by the Personnel."

Charles Kettering, vice-president General Motors Corporation, Detroit. "The Bank and the Public."

Robert W. Updegraff, Lillibridge Company, New York City. "The Banker as a Retailer."

12.15 p. m. Luncheon. Speaker, "Ralph Parlette."

Afternoon session:

2.00 p. m. Financial advertising "Clinic."

3.30 p. m. Speaker.

4.15 p.. m. Business session.

THURSDAY, SEPTEMBER 23

"Industrial Day."

"ANSWER the Roll-Call" and "The Most Practical Day of All" are the titles of two ingeniously planned and well presented savings folders published by the Minnesota Loan and Trust Company of Minneapolis.

"TRUSTS Established Now" is the title of a well written booklet on trust service published by the State Street Trust Company of Boston.

"DON Hernando De Soto" is the title of the most recently published booklet of the series entitled "Romantic Fortunes of History" which is being issued by the Bank of America, New York.

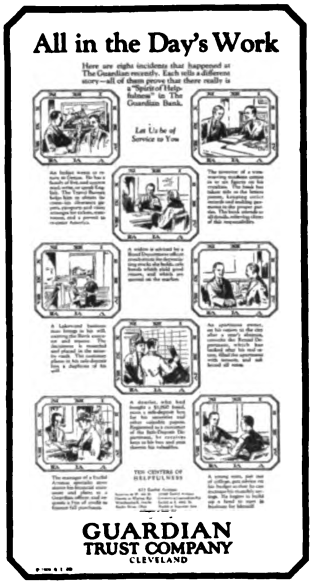
"TRUST Service for Women" is the title of a folder printed in colors recently issued by the Chase National Bank of New York.

"How Banks Increase Their Business" is the title of a new book by G. Prather Knapp, formerly advertising manager of the Mississippi Valley Trust Company of St. Louis, later vice-president of the Bankers Service Corporation, and now editorial and business director of the Rand-McNally Banking Publications.

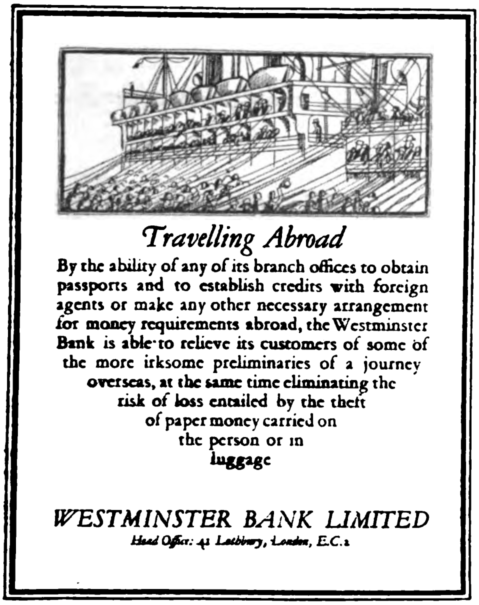
Mr. Knapp's book is a logically arranged and forcefully presented commentary on new business and public relations activities of banks, based on twenty years of varied and practical experience in the fields which the text covers. Throughout the book the author supports his conclusions with numerous concrete and specific examples of actual experiences of banks in building business.

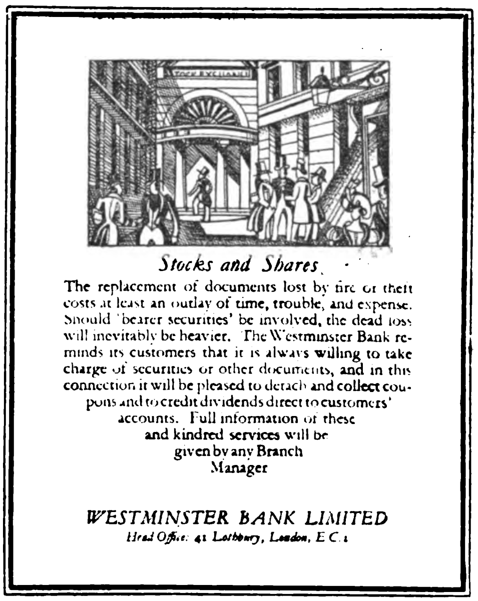
One of the most useful features of Mr. Knapp's book is his clarification of the functions of the new business or public relations department. He classifies and analyzes these functions in a thorough and enlightening manner. Any one interested in the work of bank development will benefit by a careful reading of this book.

"The Public Utility in 1950" is the title of a folder published by Morris F. Fox & Co., investment bankers, Milwaukee, Wis. The folder includes a number of interesting extracts from the report of the Power Survey Committee of the National



A pictorial representation, amplified by concise paragraphs of copy, telling the story of eight actual incidents in which the bank rendered some specific constructive service to its customers.





Evidence of the display of modern technique in the handling of British bank advertising is given in the above reproduced advertisements of one of the "big five" of London's banks.

Our neighbors to the north are also doing advertising of a very modern nature, marked by good layout, art work and copy.

Electric Light Association—Great Lakes Division, affecting conditions in the electrical industry in 1950 and contains a chart in colors showing the arrangement of generating centers and trunk lines to meet the estimated energy requirements in the power survey territory in 1950.

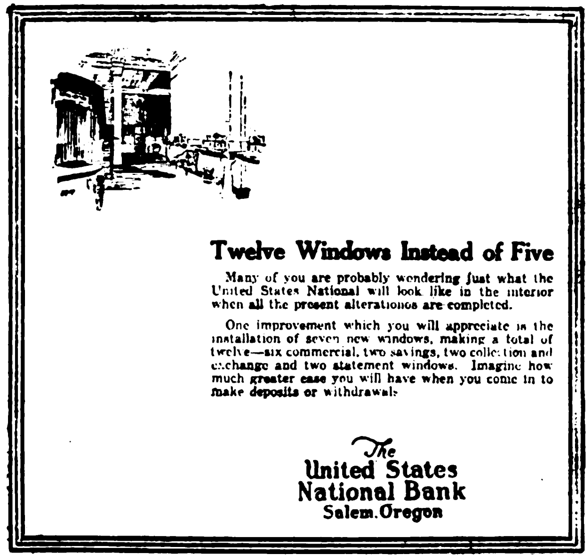
THE Columbus Clearing House Banks of Columbus, Ohio, ran a very interesting co-operative campaign in Columbus newspapers prior to the introduction of the service charge by banks in that locality, taking full page space for the advertisements. The copy was of an educational nature pointing out to the public the necessity of keeping a reasonably safe checking account balance in order that their accounts might be carried without loss to the bank. One of these advertisements bearing the heading "Your Bank Check and Two and a Half Million Others" reads as follows:

"The Banks of Columbus—including your bank—are earnestly striving to render

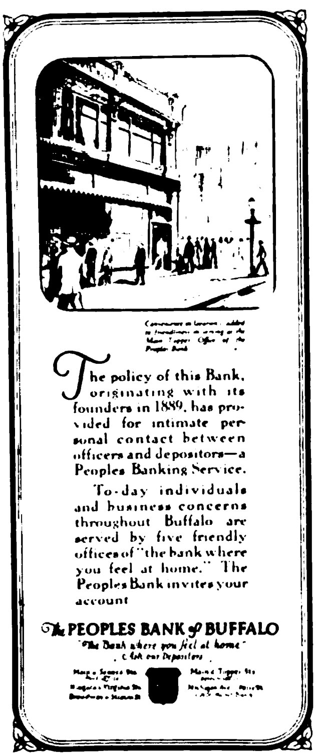
A group of readable and well illustrated advertisements on foreign trade published by a California bank.

the fullest possible measure of financial service. Probably the most familiar symbol of this effort is the bank check. This represents the great convenience and security with which modern financial institutions have surrounded the exchange of money.

"You, as a depositor, help to create satisfactory banking service only when you keep your checking account in a sound condition. When you keep an average daily balance in excess of your check requirements, you help pay for the convenient service of a checking account. When your balance is allowed to fall within a close margin of your needs, the bank pays all the cost of the service and is operating, as far as you are concerned, at a loss.



This Oregon bank emphasizes convenience to depositors in the copy in the above advertisement regarding alterations of its main banking room. The layout of this advertisement presents a good example of how white space may be used to advantage rather than wasted.



A well balanced advertisement stressing the personal element in banking.

"Approximately two and one-half million checks are handled by Columbus banks every month. There is a definite relation between your individual check and this huge volume which represents many millions of dollars and of which yours is a part.

"In accepting your account, the bank takes its obligations seriously. It surrounds your financial affairs with every known convenience and safeguard. If you, as a depositor, take your account seriously and maintain a reasonable surplus, you make it possible for banks to operate like every other successful business—at a profit. Those who do not maintain such a surplus place a burden on others.

"The co-operation of commercial bank customers in maintaining a sound checking account always produces improved banking accommodations. The majority of Columbus bank customers keep safe checking account balances. It is only fair that all others should do likewise."

"A GIANT Among Nations" is the title of a memorial booklet recently published by the Trust Company of North America, New York, in com-

[Continued on page 384]

An ingenious and skillfully prepared advertisement of a Chicago bank, the contents of which can be grasped in a moment's time.

WHAT QUESTIONS MAKE GOOD HEADLINES

By Harry B. Winsor

THAT headline—the title of this article—cannot be answered by yes or no; it provokes a trend of thought in your own mind and, if you want to know how the writer would answer it, you will read this article. Those are some of the requirements of good questions that may be used as headlines for advertisements

Many bank advertising men seem to prefer questions for headlines. Some of these headlines provoke thought, others do not. A few examples will be cited shortly.

For the purpose of making the writer's ideas clear on this subject, a few rather obvious observations upon questions in general are given. There are two classes of questions which should be emphasized and they will be divided arbitrarily into questions that can be answered by yes or no, and questions that cannot be so answered. An example of the first class: "Are You Going to Europe?" There are only two possible direct answers, yes or no. An example of the other class: "What Would You Do With $1000?" Every man, woman and child will have, or will make an answer to that question and you cannot reply with a yes or no.

Under the first classification there are three less definite groups: Questions that will take yes as the answer in the majority of cases, as: "Would You Like More Money?" Questions that take no for an answer nine times out of ten, as: "Would You Leave Your Front Door Open All Night?" Questions that may take either yes or no depending on other circumstances. The example first given falls in that class: "Are You Going to Europe?"

Under the second classification, namely questions that require a complete expression for reply, there are four classes. They are: Questions as to time, "When Will You Be Independent?" Questions of place, "Where Would You Like to Live?" Questions of possession, "Whose Wishes Will Be In Your Will?" Questions that require a wide variety of answers not classified.

Usually the question heading that cannot be answered by yes or no is desirable, although questions can be asked in which one of these two words is the logical answer, and where a trend of thought is started that will be of benefit to the advertiser. Usually, however, it is safer to frame the question so that no other answer is possible except the type you want.

WHAT WORDS SHOULD START QUESTIONS

There are certain words that are used in most questions and these will indicate in a general way the type of answer without phrasing the complete question. In other words, you can choose your start so as to aim for the reply you want by picking one of the words in the two lists that follow:

Words to start questions that can be answered by "yes" or "no:" Are, can, do, have, is, may, should, would, will.

Words to start questions that require a statement for reply: How, what, when, where, whose, why, which.

In an analysis of 441 bank advertisements, thirty-six had headlines in question form. It is interesting to see how they were divided according to the word list above. Eleven headlines began with "Are." Second on the list came "Why" with a score of

WHO'S WHO IN BANK ADVERTISING

FRANK MERRILL

Advertising manager Northwestern National Bank, Minneapolis, Minn.

MR. MERRILL has been with the Northwestern National Bank for more than thirty years and has been in charge of the institution's advertising since 1915. Under his direction the advertising of the Northwestern, with its "covered wagon" emblem, has become widely and favorably known. Mr. Merrill edits the bank's monthly trade letter, *The Northwestern National Bank Review*, which is both very readable and inviting in appearance.

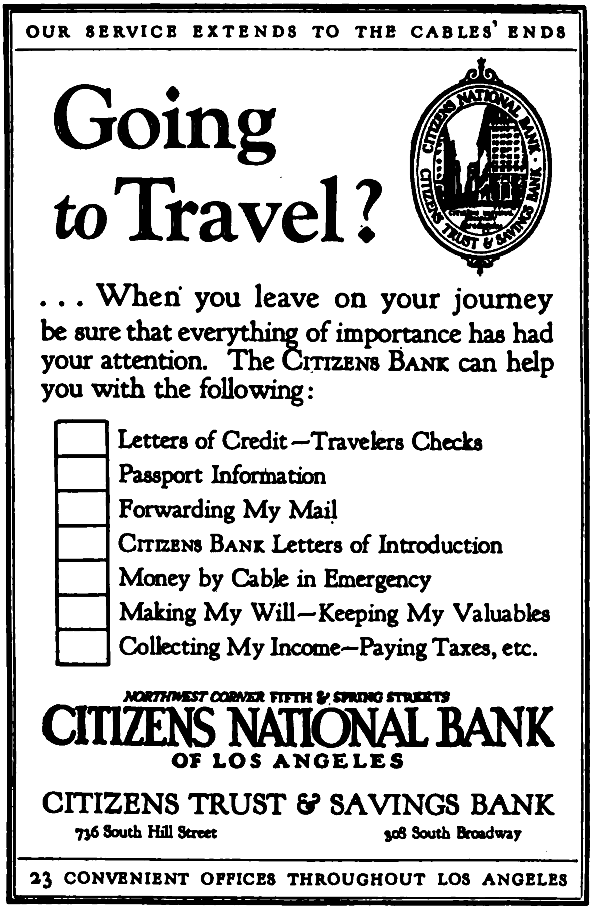
six. "Do" and "How" each had four. "What" was the word used by three. "Which," "Have" and "Is" had two each and "Should," one. One question, "Dependent on you?" I listed as miscellaneous although it really belonged with "Is," for the spirit of the question was "Is he dependent on you?" This division would give a score of twenty-one to the "yes or no" group and a score of fifteen to the other group.

A few of the questions that take the yes or no reply follow. Notice how many can be passed off without further thought unless you are deliberately looking for answers as we are in this study. "Should People Borrow Money?" "Are You Looking for a Banking Connection?" "Is Your Backbone Well Developed?" "Are You a Sprinter?" "Are You Going to the Eucharistic Congress in Chicago?" "Have You Made Your Will?" "Are You Going to Europe?" "Do you Buy on the Instalment Plan?" "Are You Studying the Course of Trade?" "Are You a Gambler?" "Is this Want-Ad Yours?" "Are You Making the Burglary Business Profitable?"

INTRIGUING THE READER

Some of the questions above are excellent. Take for example "Should People Borrow Money?" If you know, the answer is yes or no. But how many know the answer without reading the copy? This is excellent handling of a hard question by the First National Bank of Canton, Ohio. "Is Your Backbone Well Developed?" Yes or no, this question provokes a reading of the ad to know just what it means. It headed an advertisement published by the Minneapolis Trust Company. "Are You a Sprinter?" in an advertisement by the Alliance First National Bank, Alliance, Ohio, is another in this same category. The First National Bank of Brooklyn uses "Are You Studying the Course of Trade?" which can be answered yes or no. But notice about this ad that those who answer yes will read on for further light along the same line. Those who answer no, and need that study in their businesses, will read from a sense of duty. The First National Bank of Boston used the line "Is this Want-Ad Yours?" To answer that, the reader had to read the ad. In turn this bit of copy led him on into the advertisement proper; a well thought-out plan tied up with a question headline.

Usually it is more difficult to write a good "yes or no" question than one that cannot be answered by either of those little words. Here are a group of the latter: "Which Advice Will You Take?" "How Much Is Your Money Worth?" "Does Your Check Go by Air Line or Slow Freight?" "Why Not a Trip to Europe?" "Why do we say: Save 10 Per Cent. of Your Income?" "What Does the Future Hold for You?" "How Soon Can You Save a Thousand Dollars?" "How Many Contacts Have You with this Bank?" Of these, one of the best is, "What Does the Future Hold for You?" To everyone with even a spark of ambition, that question starts thoughts that, directed by this ad of the Fayette Title and Trust Company of Uniontown, Pa., should have the desired result. Another good one is the next, "Does your check go, etc." The business man would be much interested in this graphic presentation of the value of Federal Reserve membership, by the Peoples Bank and Trust Company of Philadelphia. "How Soon Can You Save a Thousand Dollars?" is also good. The answer should be found in the ad. This headline was taken from a Pottsville, Pa. paper in an ad of the Pennsylvania National Bank. The last in the group above, "How Many Contacts Have You With This Bank?" suggests a review in the reader's mind of his use of that bank and it also suggests some profitable contact that may be overlooked. This headline is by the Geo. D. Harter Bank of Canton, Ohio.



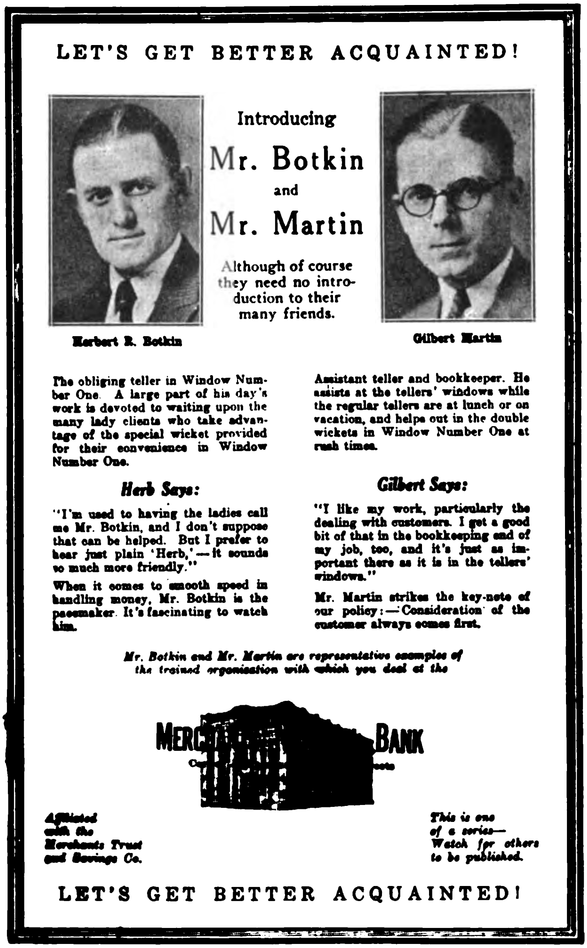
This advertisement is well presented in every particular, and may easily be assumed to have drawn the attention and interest of prospective travelers.

In the use of the latter class of questions as headlines for advertisements, there is one thing to guard against, namely, the natural laziness of the reading public. By that I mean the inclination to read only what stimulates thought or curiosity or interest and not that which merely instructs. The test to apply to questions in this case is: Will the reader reply "I don't know," and pass by? Notice that in all the example of the second group above except the last one, the answer might be "I don't know nor care" and the ad passed over. Of course, in many, many cases, the question that excites interest in the ambitious, even though the lazy may reply "I don't know," is a good question for a bank ad headline, because we appeal particularly to ambitious people.

After such an analysis of question headlines, a method or plan should naturally evolve itself. The process that is a logical conclusion to the points brought out in the discussion above, is simple. It consists in framing carefully the desired answer, frequently from copy prepared "headless" and then phrasing the question so as to insure in the largest possible number of cases, the desired reply.

WRITING TRAVEL ADVERTISEMENT HEADLINES

As an example, let us take the problem of writing an advertisement on travel services. Before writing either copy or headline, we decide that we want to appeal to a class of readers whose thoughts run something like this: "I'm so busy cleaning up my work I wish somebody would see to the reservations for my trip for me. And then I'll need some money to take along. I wonder how to carry it? There's a passport to see to and no end of other trouble. I've certainly got a lot of details that I'd like to be relieved of." Now, in that last sentence is the answer that we can use as our premise. So we plan the ad to tell how we can care for all travel details and urge a consultation. Naturally enough our headline becomes, "Of What Travel Troubles May We Relieve You?" The reader, glancing through his paper hastily sees those eight



How Robert H. Myers, advertising manager of the Merchants National Bank of Muncie, Indiana, pictures his bank's personality. On the accompanying pages Mr. Myers tells the story of the unique series of advertisements which his bank has recently published.

words. He says, "Oh, lots. Let's see what all you'll do?" The question headline has done its work.

PICTURING THE BANK'S PERSONALITY ?

By Robert H. Myers

"SINCE any banking institution is just as trustworthy, just as capable, just as friendly as are the individual members of its whole organization, we are content to rest our claim for public favor on the test of our standing invitation — Let's Get Better Acquainted."

The above words were the the concluding copy in a rather unique series of newspaper advertisements recently published by the Merchants National Bank and the Merchants Trust and Savings Company (affiliated) of Muncie, Indiana, the "Let's Get Better Acquainted" line being the series slogan.

But the copy was not the unique thing about the series: The advertisements carried pictures of the active staff members of the banking institution, and it was around these illustrations that the series was built.

The campaign was conceived with the idea in mind that the most important element entering into the "sale" of a bank's services is the "personality of the bank," which we interpret to mean the composite personality of all our employes and officers. Every member of our joint organization — forty-one in all—was included in the "photograph campaign," whether he or she was a "contact employe" or not. For it was reasoned that every individual on the staff has an important part to play in the satisfactory rendering of personal service to our clients and the public generally.

Each advertisement, besides reproducing the likenesses of staff members and some individual copy, also gave a brief outline of their respective parts in the services of the two Merchants Banks, so that the entire campaign constituted not only an "official family album" but also an educational and informative catalog of the complete and diversified facilities of a modern banking institution.

The series created more interested and favorable comment than any bank campaign with which the writer has had experience. It might be added that its effect upon the subjects of the advertisements themselves (who, by the way, had an important hand in shaping their own individual copy) naturally was not unfavorable.

The series ran for twenty-two weeks, commencing October 19, 1925, and ending March 9, 1926. Publication (usually 3 columns by 10 inches in one daily paper; 2 columns by 10 inches in the other Muncie newspaper) was made each week, usually on Tuesdays. The same position in the papers was secured for each number, by special arrangement.

First copy was a preliminary announcement (2 columns by 7 inches). Then came twenty advertisements each containing two pictures of staff members. The order of appearance was not according to rank or on any other basis, but was purposely mixed up. The last number carried only one picture (that of the writer, copy not written by himself), and a resume, or "wind-up," of the series, which is partly given at the beginning of this article.

Stock Growers Bank News

Vol. XI. Worland, Wyo. March 17, 1926. No. 10.

It's a boy!

George Muirhead III arrived in time on March 15th so George Muirhead II could cable George Muirhead I that his new-born grandson sent him greetings on the occasion of his 82nd birthday. A happy coincidence! All's well todate.

That gives the Stockgrowers Bank force all the possible styles and combinations in families. The Nichols have two lovely girls. The Cunninghams have two sturdy sons. Now come the Muirheads with a daughter and a boy.

Cashier Cunningham is planning a trip to Glasgow, Scotland, this summer to visit his mother. Mrs. Cunningham and the two boys will accompany him. He has not been home for 17 years.

What's this talk about paving the streets in Worland? Here is a little country town with a staggering bonded indebtedness of $170,000. wanting to take on citified airs on a present-day farmers' salary. That's not all either. The feed line to the water system seems to have sprung leaks from end to end. That'll be more taxes or bonds pretty soon. Pile up debt upon debt and the overhead gets so burdensome that nobody dare own property in Worland because of the already extortionate taxes. Nor does it help any to say they are no larger than so-and-so other towns. Who wants to be compared to financial cripples. The more the taxes and overhead, the easier it is for the mailorder houses to undersell local merchants. It is true the streets have been in shocking condition. Wouldn't a load or two of gravel here and there in the bad places, fix things till there are more people or money. A debt ridden town can ill afford extra men on the pay roll, but ridring a gravel wagon between jobs and in spare hours would eventually surface all the ruts.

I don't think that I told you of buying the old Billie Brown quarter section farm across the Big Horn River from the Rairden beet dump. It was originally broken up and farmed by the late Matthias Bosch. I have repeatedly stated in these columns that I believed now was the time to buy land. It is cheap.

G. C. Muirhead, President.

One of the readable and human advertisements which George Muirhead, president, writes every week for the Stockgrowers Bank of Worland, Wyoming.

As the campaign neared its end, requests began to be heard from clients and friends for the publication in booklet form of the entire series. Accordingly, such a booklet (28 pages and cover, size 7 by 11 over all, with envelopes) was prepared, using the newspaper plates for the bulk of the copy, at a big saving in composition cost—adding only a foreword, a page listing our two boards of directors, and a conclusion. The cover was imperial blue, with the series slogan imprinted in gold.

It is idle to discuss costs, since that of photography, engraving and printing varies

The above advertisement implies a great deal in a very few words, no one of which is wasted.

somewhat, and newspaper space rates vary a great deal. Suffice to say that special group rates were obtained for our photography and engraving, and that we considered the campaign well worth its entire cost.

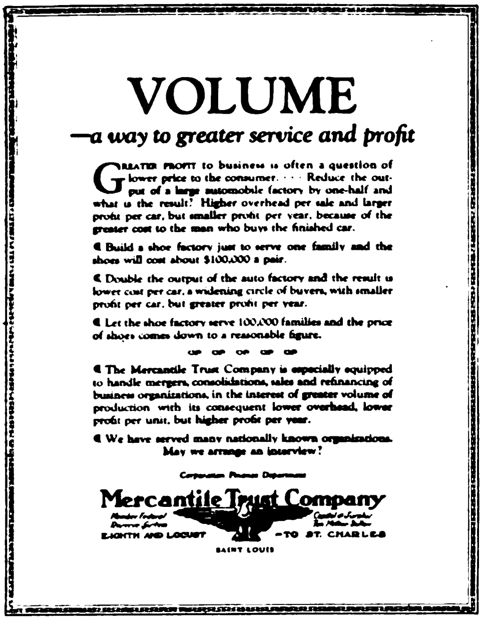
HOW BANKS ARE ADVERTISING

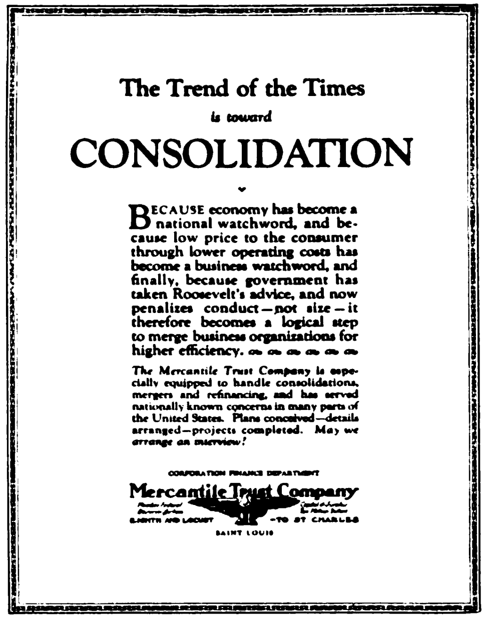
[Continued from page 377]

memoration of the Philadelphia Sesqui-Centennial. The copy for the booklet was written by Col. Thomas H. Birch, president of the company and former United States Minister to Portugal, and gives a concise and impressive picture of the development and resources of the United States.

THE First National Bank Central Wisconsin Trust Company has published a number of very original folders on the subjects of the making of a will and the advantages of consistent saving. The folders are presented in the form of legal documents or engraved certificates in imitation of mortgages, shares of stock, insurance policies, etc., and have a number of very strong attention-getting qualities.

"BANKING Explained" is the title of a booklet published by the Security Trust and Savings Bank of Los Angeles, and written by Allard A. Calkins, assistant vice-president of the institution. The booklet gives a readable and understandable explanation of such matters as the California bank act, department banks, branch banks, banks' and bankers' hours, limited authority of bank employes, what happens after the bank closes for business, idle money and loans, factors governing the making of loans, why caution is necessary, subject of identification, drawing against uncollected funds, overdrafts, indorsements, prompt presentation





Two unusual advertisements of a St. Louis trust company, emphasizing the company's facilities for handling consolidations, mergers and refinancing.

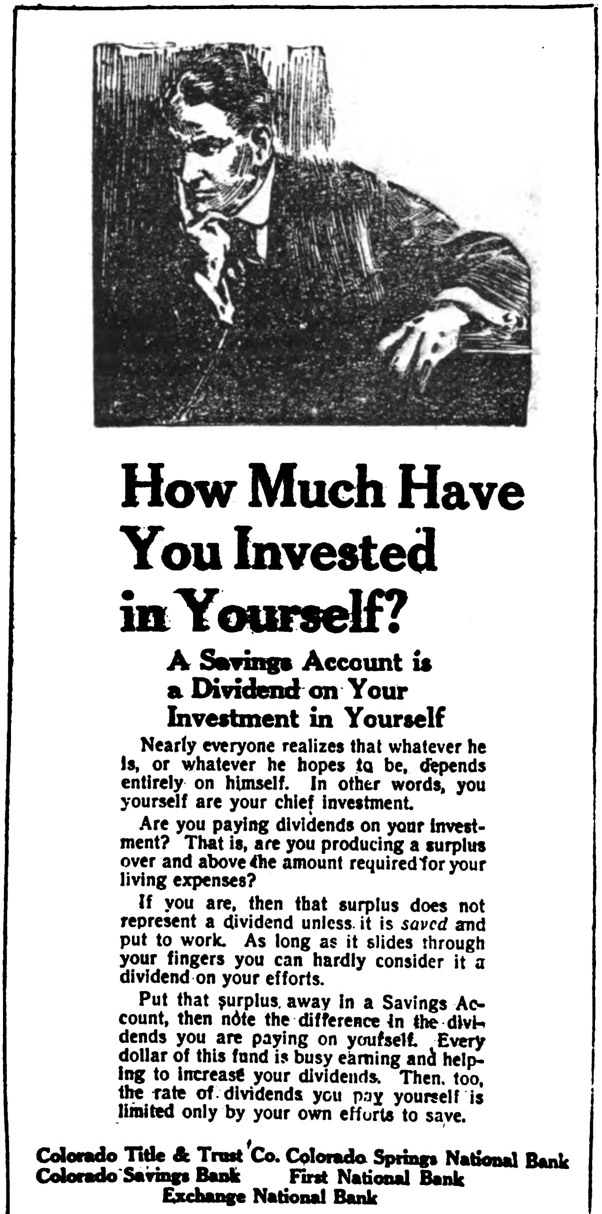
of checks, care in writing checks, protest of checks, stopping payment of checks, statements, etc. In the back of the booklet the bank gives a list of its branches at which additional copies of the booklet may be obtained on request.

"How a School District Can Obtain a Better Price for Its Bonds" by Tom K. Smith, vice-president Investment Bankers Association of America, "The Common Sense of Sound Investing" by Samuel O. Rice, educational director of the Investment Bankers Association of America, "The Investor and the Investment Banking Business" and "The Investment Account of the Smaller Community's Bank" are four booklets which have recently come into this office and which constitute a part of a series of well written and attractively prepared booklets published by the educational department of the Investment Bankers Association of America.

"THE Wheat Flour Milling Industry" is the title of a booklet published by the Union Trust Company of Chicago and dealing with the underlying trends and present tendencies in the industry. This booklet is one of a series of timely and readably presented studies of important industries with which the bank has had specialized experience.

AT the beginning of the summer season just before the exodus of apartment house dwellers in the city to the country began, the Harvard Trust Company of Cambridge, Mass., tried out the scheme of giving wide distribution by hand in apartment house letter boxes to well designed blotters containing copy on the bank's special storage vaults for protection of their valuables during the vacation season.

"BONDS and Bond Buying" is the title of a very presentable and profusely illustrated booklet, printed in attractive



One of a series of co-operative savings advertisements run by the banks of Colorado Springs, Colo.

colors and published by the Minnesota Loan and Trust Company, of Minneapolis, Minn. This company has also recently published a folder entitled "A Message to Bond Buyers of the Northwest," which follows the same readable and attention-getting form of presentation as the booklet just mentioned.

"THE Union Trust Teller," weekly employes' house organ of the Union Trust Company of Cleveland, Ohio, has published what it calls a "Junior Issue." This number is very interestingly gotten up and is profusely illustrated with snapshots of children of the officers and employes of the bank.

THE Commercial National Bank of Peoria, Ill., has published a booklet "The Romance of Peoria." The booklet is published in two colors, contains a number of well executed line drawings and the copy is interesting and well presented.

THE Banks of Houston, Texas, are conducting a twelve months co-operative outdoor advertising campaign. Twenty-two standard poster panels, eleven by twenty-five feet, located in strategic positions about the city of Houston are being used in the campaign. All the posters bear the slogan "Keep a Worthwhile Balance in the Bank." Copy accompanying this slogan is changed every thirty days. The cost of the campaign is prorated among the banks of Houston, the burden of the expense being borne by the large banks who will benefit most from the campaign.

BANKERS WILL FLOCK TO COAST IN SPECIAL TRAINS TO A. B. A. MEETING

A MASS survey by thousands of bankers will be made of the nation and its business conditions firsthand this fall in connection with the movement of the members of the American Bankers Association from all parts of the continent to attend the fifty-second annual convention of the organization at Los Angeles in October. Information

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OSCAR WELLS

President American Bankers Association and president First National Bank of Birmingham, Ala.

coming into the association's headquarters in New York from many directions discloses that an unusually large number of special trains and itineraries are being provided by the railroads for large bodies of the bankers from various sections of the country. These plans provide opportunities for them to make stop-over visits at many of the important business and industrial centers and scenic attractions throughout the country.

A number of the cities have sent to the association announcements of elaborate plans to afford the visiting bankers facilities for inspecting their developments. In addition to special trains two ocean liners from the Atlantic seaboard will give a large group of bankers a glimpse of America's Latin-American and Panama Canal interests along that route.

THREE BANKERS' SPECIALS FROM NEW YORK

Three bankers' special trains will run from New York City. The New York Central lines will dispatch its first special, to be designated as the Red Section, from Grand Central Station the afternoon of September 17. This section will be routed by the way of the Canadian Rockies and Pacific Northwest with stopovers at Banff, Lake Louise, Moraine Lakes and the Valley of the Ten Peaks, the Great Divide, Vancouver, Seattle, Portland, Shasta Springs, and San Francisco. The Green Section, the second New York Central special, will leave the afternoon of September 19 and go to Los Angeles by the way of Colorado with stopovers at Colorado Springs, the Garden of the Gods, Pike's Peak, Denver, Rocky Mountain Park, Salt Lake City and San Francisco. The two sections will combine at San Francisco and proceed by way of Yosemite National Park, Mariposa Big Trees, Del Monte and Santa Barbara, arriving at Los Angeles October 3, the day before the convention opens.

The Pennsylvania Railroad also will run a bankers' special by the Canadian Rockies and the Pacific Northwest, leaving New York the evening of September

19. It will take on bankers at Philadelphia, Harrisburg and Pittsburgh and stopovers will be made at Chicago, St. Paul, Minneapolis, Banff, Jasper National Park, Lake Louise, Vancouver, Seattle, Portland and San Francisco, with arrival at Los Angeles the afternoon of October 3.

SPECIALS FROM CHICAGO AND NEW ORLEANS

Special trains will also run from Chicago and New Orleans. The Chicago special will leave the evening of September 28 and will make stopovers at Omaha, Denver, Colorado Springs, Glenwood Springs and Salt Lake City, arriving at Los Angeles early in the afternoon of October 3. The New Orleans special will go to California over the Southern Pacific route leaving the evening of September 29, with stopovers at Houston, San Antonio, El Paso, and Ciudad Juarez, Mexico. It will arrive at Los Angeles the afternoon of October 2.

© CHAMPLAIN

THOMAS R. PRESTON
Second vice-president American Bankers Association and president Hamilton National Bank, Chattanooga, Tenn.

The Ohio Bankers Association is arranging a special train tour that will take a large part of the Ohio delegation to the convention, leaving Chicago the morning of September 23. There will be stops at Omaha, Denver, Salt Lake City, Zion Park Lodge, the Grand Canyon, Bryce Canyon Lodge, Riverside and San Diego. The convention city will be reached the evening of October 3. A land-cruise train built especially for de luxe rail tours has also been chartered to take part of the Ohio bankers to the convention. It will leave Cleveland September 12 and will stop at Yellowstone Park for four days, visit Spokane, Mt. Ranier National Park, Vancouver, Victoria, Seattle, Portland, Shasta Springs, San Francisco, Yosemite National Park, the Mariposa Grove and San Diego and arrive at Los Angeles the evening of October 3.

BLANK & STALLER

MELVIN A. TRAYLOR
First vice-president American Bankers Association and president First National Bank of Chicago, Ill.

The "French Phone"

THOSE who take pride in the appearance of their home or office, shun to every degree possible the too evident present day influence of standardization.

They carry out their ideas even to the telephone and use this beautiful equipment.

It is easily installed on your Desk in your Bank, or in your Residence.

Finished in
Nickel—Brass—Bronze
Silver Plate—Gold Plate
with or without the Dial

The Mor-Tel Corporation
Postal Telegraph Building
Suite 318-323
253 Broadway, New York
Phone: Barclay 6825

THREE WATER AND RAIL TOURS ARRANGED

A Kansas-Missouri bankers' special is also being organized and a Michigan special will join the Chicago special at that point. Also three special combined water-and-rail tours to the convention have been arranged. The Panama-Pacific liner Finland will sail from New York the afternoon of September 16 and will call at Havana, Cristobal, Balboa and San Diego, permitting passengers to reach Los Angeles early the afternoon of October 3. The return trip is to be made overland. The Panama Mail liner Columbia sailed from New York August 26. This will touch at Colombia, Nicaragua, Salvador, Guatemala and Mexico, arriving in advance of the opening of the convention. The President Harrison of the Dollar Steamship Line is scheduled to sail from New York September 16, getting her passengers to the convention city the morning of October 4.

For those going by ordinary trains summer excursion rates will be available from all sections of the country except nine western states. The excursion tickets must be purchased by September 30 and are good to return to starting points until October 31. Round tickets from Chicago to Los Angeles are $90.30; from Kansas City, Missouri, $75.60; Memphis, $89.40; Minneapolis, $91.90; New Orleans, $89.40; Omaha $75.60; St. Louis, $85.60; Cleveland, $109.95; Cincinnati, $105.45; Toledo $103.78; Atlanta, $111.10; Richmond, $134.75, and New York, $142.62.

Individual railroads have authorized a rate of one and one-half fare for the round trip on the identification certificate plan from the nine states where the excursion rates do not apply. These are Arizona, California, Idaho, Montana, Nevada, New Mexico, Oregon, Utah and Washington, as well as El Paso, Texas. The dates of sale in California are October 1-6, with October 11 as the return limit. For Nevada, Oregon and

Utah, the dates of sale are September 30-October 5 and the return limit October 11. The sale dates for Idaho, Montana and Washington are September 29-October 4, with October 12 the return limit. For Arizona and New Mexico and El Paso, Texas, tickets may be bought October 1-5, with October 11 as the return limit. These rates apply only to members of the association and dependent members of their families.

WESTERN CITIES ARRANGE TO RECEIVE BANKERS

Seven Western cities have made arrangements to give bankers who stop off, either going or returning, every opportunity to see all their chief points of interest. Committeemen will be waiting with automobiles so that local tours may be made with a minimum of delay. In Salt Lake City, Utah, the associated banks and trust companies will entertain all delegates who pass through en route to or from the convention. The bankers of Spokane, Washington, will take visiting bankers on sightseeing trips through the surrounding agricultural, mining and lumber districts. At Seattle, Washington, a committee will have representatives at the disposal of bankers traveling that way and automobiles will be provided for sightseeing around the city and suburbs and to visit Mt. Ranier, Victoria or other adjacent points of interest.

The bankers of Portland, Oregon, will give the delegates a chance to survey the scenic and economic features there, comprising lumber manufacturing, shipping, wheat and wool interests. The bankers in San Francisco are likewise making elaborate arrangements, as are those of Oakland across San Francisco Bay on the continental side of the harbor where industrial development has been especially extensive during recent years. San Diego, as one of the rapidly growing communities of Southern California, also has a bankers' entertainment committee to show visitors the sights of that city and facilitate a trip across the border into Old Mexico.

In Los Angeles complete arrangements for the business sessions and entertain-

[Continued on page 397]

SUMMING UP THE CREDIT RISK

BY M. E. ROBERTSON

IN summing up the credit risk the investigator endeavors to point out the favorable or unfavorable features thereof, particularly the unfavorable. It is simple enough to point out favorable features and many times easy enough to overlook some important unfavorable feature. In making an analysis for the loaning officer, then, the junior officer or credit department member should devote his attention primarily to pointing out those features which are unfavorable. One might endeavor to enumerate all the features, favorable and unfavorable, which should be looked for, but it would only be a false endeavor, for there is constantly springing up some feature peculiar to the particular risk under review.

In summing up the risk in general however, the following features should be covered:

1. Ability and integrity of management.
2. Reputation and standing of company.
3. Action of other banks.
4. Method of handling trade obligations and contracts.
5. Quality of product.
6. Sales organization.
7. Physical condition and economic location and layout of plant.
8. Earning record of the company..
9. Distribution of earnings.
10. Manner in which records are kept. (a) Perpetual inventory. (b) Cost accounting, etc.
11. Audit of books and reputation of accountants.
12. Analysis of financial statements.

If the company sells paper in the open market, it is usual to consider the relationship of open market borrowings to open bank lines.

Under the analysis of financial statements there is opportunity for considerable research and, as previously stated in an article on the analysis of financial statements, it is impossible to outline a definite course to pursue and try to follow it religiously. Good common sense must be used, as in everything else. Since these previous articles endeavored to set forth features and phases of statement analysis, they will not be reviewed or summarized here, but some of the features commented upon which should be covered in the synopsis of the risk will be set forth under this head:

1. Current position—not alone the ratio but qualified as the quality of current assets. (a) Quality of receivables. (b) Quality of merchandise.
2. Collections (outstanding accounts).
3. Turnover (merchandise to sales).
4. Stockholders' investment (relationship of stockholders to creditors' money).
5. Funded or fixed indebtedness.
6. Plant investment.
7. Working capital—its trend, and relationship of bank lines and current indebtedness thereto.
8. Trend of merchandise—trend of sales.
9. Trend of receivables—trend of sales.
10. Fixed charges for interest, dividends, etc.
11. Margin of profit considered in connection with stability of price of product.
12. Payables and receivables due to or from officers and directors.

FULL BUT CONCISE SYNOPSIS NEEDED

From these features which have been enumerated, it is evident that a book could be written regarding the company under investigation because they are presumed to cover practically every feature and angle of the company and the credit. However, the senior officer has not the time to read a lengthy discourse and the analyst should therefore boil down and condense his synopsis or summary to a real summary containing the meat of the situation.

The credit department does not get an opportunity, as a rule, to come in contact with the company management and therefore must form its conclusion from what is in the credit file and from what deductions can be made from the apparent manner in which the company is handled. This perhaps is a good feature rather than otherwise.. The analyst in the background makes his comment from a cold blooded point of view which is not influenced by the personality of the individuals controlling the company. Such comment made by the credit department, unbiased as it is, is valuable to the loaning officer. It must of necessity be based to a large extent on comment received from others in course of investigation.

Comment concerning the general standing and reputation of the company must also be gained from information received during the course of the investigation (from banks, trade and competitors).

The loaning officer is quite naturally interested in what other banks are doing with the company, what lines of credit are extended, what balances maintained, frequency and extent of borrowings and form of the obligation. No definite ratio can be maintained between aggregate bank lines and net working capital. It is dependent on the line of business, the size of the company, the form of obligation, etc. Probably in many cases of a moderate sized company with net worth $3,000,000 plant free and clear, working capital $2,000,000 the bank lines would aggregate in the neighborhood of $1,500,000 to $1,800,000. This must be accepted as very general.

It is of great importance to know how the trade is handling the questioned account. On what terms is credit extended and how are payments made? Is advantage taken of full discount? Has the company any large forward commitments? Is it customary in the company's line of business to make large forward contracts for merchandise and what is the amount of speculation therein?

The quality of the product must be judged largely from competitive and other opinions, the trend of sales and the capacity at which the plant is maintained. Many large banks have industrial departments with men capable and qualified to judge the relative merits of the product from the standpoint of design, efficiency, construction, etc., and as compared to that of competitors. The quality of the product, the demand for it and its future prospects have a tremendous amount to do with the future of the company.

Keen management, too, is of utmost importance, to see changes in style or other causes which are likely to lessen demand and to set about reorganizing to make a new product if necessary. Many times a change is discovered too late and someone else is in and has the edge on the market.

Even though the product be a good one, it takes the right kind of an organization and correct sales policies to put it over. Lack of proper standardization, failure to advertise and sell intensely in a small area rather than sell feebly in a large one—these or any one of numerous other sales features may make for the failure of putting over a good product.

The credit analyst must therefore consider not only the quality of the product, but its marketing.

LOCATION OF PLANT IMPORTANT

The physical condition and economic location and layout of the plant should be noted. How is the plant located with regard to the source of supply of raw material? Is it so situated that finished goods can be easily loaded for shipment to various points without several handlings? Is the plant so located as to permit the proper routing of materials and the economic handling of the product through its various stages? Many large banks employ industrial experts who review this angle of the company.

The company's earning record or its ability to make money, is the reflection usually of many good features. Perhaps it reflects the good management, the merits of the product, the efficiency of the sales organization and the physical condition and economic location of the plant. But earnings can be inflated by means of failure to write off certain losses, by too high valuation of merchandise, failure to charge off depreciation, etc. and for these reasons the statement must be carefully analyzed. Earnings over a period indicate the company's right to stay in business and failure to earn over a period rightfully prompts the question as to what future the company has and, therefore, what right to credit.

The practices and habits of the management as to the distribution of income are also worthy of comment. Does the management take out all the earnings? If so, is this warranted by reason of the fact that the company already has more money in the business than is needed? Is expansion and growth being properly taken care of out of earnings?

Many companies are careless in their accounting methods, causing question to arise as to the accuracy and detail with which records are kept. Recently cost accounting has been developed considerably and many firms have begun the perpetual inventory record. The latter enables the management to gain a good idea of the merchandise on hand at any time without taking an actual physical inventory.

The completeness of the audit and character of the auditors should also be worthy of mention. The freeness with which management opens up the records to auditors and the fulness of the auditors' examination and report both tend to indicate to the banker the policy of the company with respect to its records.

A well audited statement, complete in detail, is a vital help to the banker. If it is prepared by a well known firm of auditors in which the banker reposes confidence, so much the better.

Varying rates at which paper is sold, varying rates quoted by banks on different names, reflect the opinion of the risk. If prime paper, best names are selling at 4 per cent. and another note commands 4½ per cent., there is something detracting from the risk which makes it command this higher rate. There is, thus, a varying degree of ratings—good, satisfactory, fair and poor.

Of course, there is no rate compensating for the poor risk. That is a case of giving no credit. The good risk is the risk which most nearly approaches the ideal standards and which appears to have all the desirable qualities which make it good beyond question. The satisfactory risk, commanding a little higher rate, lacks some qualities of the good risk and is perhaps (in the case of commercial paper names) smaller or not so well known. The fair risk is lacking in certain qualities which cause it to command a better rate.

BANKERS WILL FLOCK TO COAST

[Continued from page 392]

ment of the visitors during the convention, which will be the fifty-second annual meeting of the association and will be held October 4 to 7, are in the hands of twenty committee chairmen with committeemen numbering several hundred. Fifty golf clubs will keep open house during convention week and there will be a motion picture studio day for visiting bankers. On the movie committee are some of the leading producers who are desirous that bankers become better acquainted with the industry. Ordinarily the studios are closed to visitors, but during the convention they will be opened to the bankers with work on important pictures going on so as to afford them opportunity to see motion pictures in the making. There will also be a trip to Catalina Island with a fifty-mile sail on the Pacific by steamer especially chartered for the occasion. The submarine gardens in Avalon Bay are the main attractions here.

IMPORTANT SUBJECTS TO BE PRESENTED AT CONVENTION

Legislation affecting banking, methods for protecting banks against bandits and many other subjects of general public importance will fill the sessions of the convention to be held in Los Angeles, Calif., October 4 to 7, it is announced by Oscar Wells, president of the American Bankers Association, in a call to members. Mr. Wells says:

"No greater array of subjects of paramount interest and importance to the individual banker has ever been presented at any convention of the American Bankers Association than will crowd the sessions this October at Los Angeles. Effective methods have been developed for quelling bank banditry through co-operative efforts by banks along lines suited to their circumstances and these will be fully discussed.

"The rapid extension of special banking functions, such as those having to do with savings, fiduciary services and investments by classes of banks formerly not engaged in these activities has created a need for more complete interchange of experience related to these subjects and this will be fully provided through the various technical discussions at the convention.

"The present is fraught with much interest among bankers in the subject of legislation and particularly Federal legislation dealing with the extension of charters of the twelve Federal Reserve Banks, the control of branch banking, the equalizing of rights between national banks and state-chartered institutions, and the widening of the provisions for lending money on real estate under the laws governing the conduct of national banks. Bankers attending the annual conventions of the association are afforded splendid opportunities for knowing how other bankers regard these things. A question of prime importance to every banker is the growing movement for more equitable state taxation for banks and the discussions at the convention will suggest means for this end in your state.

"In the broader view of general business, there is the problem of instalment selling, the underlying conditions of business which have been subject to so much uncertainty and questioning during the year and other equally important subjects which will add to the profits of attending this meeting."

BANKING AND COMMERCIAL LAW

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which he did not account to the plaintiff.

It was held that these facts were insufficient to show implied authority on the part of the agent to indorse checks payable to the plaintiff. The plaintiff was not put upon notice by the fact that the agent remitted premiums to it by his personal check. The plaintiff was justified in inferring that the checks represented cash payments collected by the agent and was not negligent in failing to investigate the operations of its agent. The general rule is that a principal is under no duty to strangers to keep a watch over his agent's transactions in order to prevent unauthorized indorsements. The defendant trust company was accordingly held liable for the loss sustained by plaintiff company.

Action by subscribers to the Automobile Insurance Exchange and the Keystone Indemnity Company, attorney in fact, against the Atlantic Trust Company. Judgment for plaintiffs, and defendant appeals. Affirmed.

OPINION

BOND, C. J. This is an appeal, by a corporation engaged in banking, from a judgment procured against it by the appellees for amounts misappropriated by their agent, by indorsing checks drawn to their order and depositing them in his private, individual checking account in the trust company, and then checking the money out for his own purposes. The trial court, in its rulings on prayers for instructions and on objections to testimony, held that there was no express or implied authority in the agent to indorse and deposit the checks as he did, and excluded from the consideration of the jury evidence offered to show apparent authority for such indorsement and deposit, and to show acquiescence, estoppel, and contributory negligence on the part of the plaintiffs. The appellant contends that there was evidence for the consideration of the jury on these defenses.

The appellees were engaged in issuing insurance on automobiles, and had their home office in Philadelphia. They had an office or agency in Baltimore, and John W. Leland was their resident manager in that office. During the time with which the suit is concerned he was paid by commissions, and himself bore all the expenses of the Baltimore office. He testified for the defendant, now the appellant, and said his duties were to solicit business, and to collect and remit premiums. He was paid his commissions semi-monthly, by check from the home office. The premiums were paid to him sometimes in cash and sometimes by check; the cash so received, he was, according to the regular practice, supposed to forward by his own personal check. He had no actual authority to indorse the checks made out to his principal. And this testimony agreed with that given for the plaintiffs, or appellees.

In July, 1922, Leland opened a private checking account with the trust company, in the name of "John W. Leland—signature: J. W. Leland," and had noted at the bottom of the signature card, by way of identification, that he was resident manager of the Auto Insurance Exchange. In December and January he forwarded his company four checks on this account, for \$533.42 in all, for cash premiums collected, and those personal checks were deposited by the company without comment or inquiry. Between February and July, 1923, he indorsed thirty-six checks payable to his principal, by stamping the name "Automobile Insurance Exchange, by Exchange Operators, Inc.," with a rubber stamp he found in the office when his agency began, and writing after it "J. W. Leland, Res. Manager;" and the trust company collected and deposited these to his private account, without further indorsement. Leland then checked the money out for his office and living expenses, according to his evidence and has not since made the loss good.

The suit is founded, of course, on the general rule that a bank is liable to a principal for the loss of funds resulting from the honoring of checks payable to the principal and indorsed by the agent without authority. Nat. Union Bank v. Miller Rubber Co., 148 Md.—, 129 A. 688; Standard Steam Specialty Co. v. Corn Exchange Bank, 220 N. Y. 478, 116 N. E. 386, L. R. A. 1918B, 575; Oklahoma State Bank v. Galion Iron Works (C. C. A.) 4 F. (2d) 337; authorities collected in a note, 12 A. L. R. 111; article on "Participation in a Breach of Trust," 34 Harvard Law Rev. 454, 474. There having been no actual authority from the principal here, the only questions raised are those of the legal sufficiency of evidence to support the defenses of implied or apparent authority in the agent and estoppel of the principal, or of negligence on the principal's part.

An implication of authority to indorse the principal's checks could arise only from the fact that the indorsement was necessary to the performance of the duties actually conferred on the agent, or was a customary incident of the agency conferred. Bortner v. Leib, 146 Md. 530, 538, 126 A. 890. But we do not understand it to be contended that it was a necessary incident to Leland's actual duties, and the facts in evidence would not support such a contention. He was, actually, only a commission agent, charged with the duty of forwarding premiums to the home office; and there would seem to have been no necessity for his indorsing the checks payable to the company and banking them here. Bortner v. Leib, supra. Roland v. People's Bank, 134 Md. 218, 220, 106 A. 570; Jackson Paper Mfg. Co. v. Commercial Nat. Bank, 199 Ill. 151, 65 N. E. 136, 59 L. R. A. 657, 93 Am. St. Rep. 113; Lonier v. Ann Arbor Savings Bank, 162 Mich. 541, 127 N. W. 685; Robinson v. Chemical National Bank, 86 N. Y. 407; Porges v. United States Mtg. & Trust Co., 203 N. Y. 181, 96 N. E. 424; Schaap v. State National Bank, 137 Ark. 251, 208 S. W. 309; Doeren v. Kammer, 141 Minn. 466, 170 N. W. 609; Pluto Powder Co. v. Cuba City State Bank, 153 Wis. 324, 141 N. W. 220. There was no evidence offered to show that it was customary for such agents to have this authority. Kraft v. Fancher, 44 Md. 204, 216; Third National Bank v. Boyd, 44 Md. 47, 63, 22 Am. Rep. 35.

But the appellant contends that the agent might be found to have been invested by the appellees with apparent authority to indorse the chcks, by their designating him as "resident manager," by having in the office a rubber stamp which could be used for indorsing checks, and by receiving his checks on this personal account in payment of premiums received. The testimony was that upon these facts the officials were misled into believing that Leland had authority to indorse and bank the company's checks as he was doing. A principal may so characterize his agent, or permit such an extension of the agent's functions, as to lead third persons to assume reasonably that the agency was general, or covered the power in question; and, if he does so, the principal will not be heard to say that he actually limited the agent short of the authority which he had thus apparently given. Brokerage Co. v. Harrison, 141 Md. 91, 100, 118 A. 192; Brager v. Levy, 122 Md. 554, 560, 90 A. 102; Oxweld Acetylene Co. v. Hughes, 126 Md. 437, 440, 95 A. 45, L. R. A. 1916B, 751, Ann. Cas. 1917C, 837; Eversole v. Maull, 50 Md. 95, 104; Whitten v. Bank of Fincastle, 100 Va. 546, 42 S. E. 309; Burstein v. Sullivan, 134 App. Div. 623, 119 N. Y. S. 317; 12 A. L. R. 126, 127.

This result may be viewed as the consequence either of a holding out, or of an estoppel to set up an actual limitation of the agency in conflict with the holding out; it is the same rule viewed one way or the other. Andrews v. Clark, 72 Md 396, 436, 20 A. 429; Brager v. Levy, supra. But it is a representation or holding out by the principal that so extends the agency, not any mere combination of circumstances which may, without the principal's participation, mislead third persons, however reasonably, into a false inference of authority. It is the attitude of the principal which determines the question. Oxweld Acetylene Co. v. Hughes, supra.

The controlling rule is that a principal can be bound by the acts of another as agent only so far as he, the principal, has empowered or permitted the other to represent him; and, if the banker has been misled by an appearance of authority not known and acquiesced in by the principal, and so has accepted unauthorized indorsements, the banker is answerable for the loss.

In our opinion, the mere designation of an agent as resident manager (of an insurance company, at least) could not be held ground for a reasonable inference that he was a general agent, or was empowered to indorse and bank the principal's checks. It seems to us that the title of resident manager of a single "field" office of an insurance company carries no such meaning. Jackson Paper Co. v. Commercial Bank, supra; 12 A. L. R. 126, 127. As to the rubber stamp used for the indorsements in this case, the evidence fails to show that the principal had any knowledge of its existence.

And while the receipt by the principal of the agent's personal checks, in payment of premiums due the principal, would carry notice of the existence of the personal account it could not be regarded as carrying notice that the money in the account came from the deposit of the principal's checks, indorsed by the agent, because all the evidence is that the agent was expected to use his personal checks as a means of remitting cash premiums collected, and the natural inference of the principal would consequently be that the checks represented this cash. The practice might, perhaps, easily mislead a banker, but it could not be held, under the circumstances, to signify that the principal acquiesced in the indorsement of its checks and the deposit of the amounts in the agent's private account. Therefore, we think, it could not have been found by the jury, from the facts in evidence or offered in evidence, that the appellant was misled by "the attitude of the principal himself," which is the only ground for binding the principal by the agent's acts (Oxweld Acetylene Co. v. Hughes, supra), so there was no sufficient support for the defenses set up, and the trial court acted correctly in excluding them.

There was an additional defense upon contributory negligence on the part of the principal in failing to make an audit or investigation which would have informed them of the agent's unauthorized practice, and so have enabled them to stop it, and save both innocent parties

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WHAT BANKS AND BANKERS ARE DOING

HOWARD M. JEFFERSON, who has been manager of the personnel department of the New York Federal Reserve Bank, has resigned to become an officer in the First National Corporation of Boston. He will specialize in South American finance. Mr. Jefferson has been with the Federal Reserve Bank since 1918, when he became auditor. He was a member of the commissions led by Professor Kemmerer which, in 1923, undertook the reorganization of the banking systems of Colombia and Chile.

Herbert S. Downs, who has also been with the Federal Reserve Bank since 1918, has been made manager of the bank relations department of the Federal Reserve Bank.

JAMES A. LATTA, a vice-president and a director of the Northwestern National Bank of Minneapolis, died suddenly July 18 while on a vacation trip with his family, after a heart attack. His death occurred near Cowles, N. M.

Mr. Latta was a director of the Minnesota Loan and Trust Company and the Northwestern National Life Insurance Company, in addition to his activities in the Northwestern National Bank.

Beginning his banking career in 1885 as a teller in the Second National Bank of Ionia, Mich., his birth place, Mr. Latta eventually moved to Detroit where he remained until 1905. In that year he resigned from a Detroit bank to become a vice-president in the Swedish-American National Bank of Minneapolis and, on the merger of that institution with the Northwestern National, he became a vice-president of the enlarged bank.

ANDREW M. BERGSTROM, formerly a vice-president of the Citizens and Southern Bank of Atlanta, Ga., has been elected a vice-president of the Atlanta and Lowry National Bank and its affiliated company, the Georgia Trust Company.

According to the *Atlanta Constitution*, which made the announcement, Mr. Bergstrom is a native of Atlanta, was educated in the public schools there, and began his banking career with the Third National Bank, which later became the Citizens and Southern. He left that bank last year and went to Florida, expecting to take several years rest, but was induced later to return to Atlanta with his new connection.

HAMILTON WILSON has been appointed by the Guaranty Company of New York to have charge of the company's business in Ohio, Kentucky and Tennessee and to have supervision of the offices in Cleveland, Cincinnati and Louisville. His headquarters will be in Cleveland. Mr. Wilson was formerly manager of the company's Cincinnati office.

Other appointments announced by the company include R. W. Morey, in charge of the Cleveland office; J. C. Cardwell, Jr., Cincinnati office; and Sam English, Louisville office.

M. A. FLETCHER, vice-president and treasurer Fairmont Trust Company, Fairmont, W. Va., was elected president of the West Virginia Bankers' Association at its thirty-third annual convention held in Huntington June 23 and 24. He will take the place of W. C. Given, cashier Commercial Bank, Bluefield.

Charles M. Gohen, president First Huntington National Bank of Huntington was chosen vice-president; J. S. Hill, vice-president and cashier Capital City Bank of Charleston, secretary; and L. W. Boley, cashier Oak Hill National Bank of Oak Hill, treasurer. Clarksburg was chosen as the place for next year's convention.

The two-day meeting was taken up with an interesting and beneficial program including an address, "The Present Outlook," by Simeon D. Fess, United States senator from Ohio; a discussion of the methods employed by bank crooks by W. L. Barnhart, vice-president of the National Surety Company of New York; a talk on the railroad situation by W. J. Harahan, president of the Chesapeake and Ohio; and a talk by Thomas B. Patton, general counsel for the American Bankers Association, on "Fiduciaries Act and Other Banking Topics."

The visitors were entertained at a luncheon given by the Kiwanis and Rotary clubs of Huntington, and on June 23 the annual banquet of the association was held.

LYMAN E. WAKEFIELD was elected president of the First National Bank of Minneapolis at a meeting of the board of directors held recently. He was already

L. M. WAKEFIELD
Newly elected president of the First National Bank of Minneapolis, Minn.

a director of the institution and also a vice-president and director of the Minneapolis Trust Company.

Mr. Wakefield will take the place of F. A. Chamberlin, who will become chairman of the executive committee of

BENSON L. SMITH
Recently elected vice-president of the California Trust Company of Los Angeles, Calif.

the First National. Mr. Chamberlin will do the same work as formerly, except that much of the volume of detail will be transferred to Mr. Wakefield's shoulders.

The new president, who is 46 years old, began his banking career as a messenger in the First National Bank of Austin, Minn., in 1897. At the age of 22 he began work in Minneapolis as an employe of the Northwestern National Bank of that city. During his nine years there he rose to the position of assistant cashier, when he resigned to become treasurer of the Wells-Dickey Company, an investment banking house. When this company was affiliated with the Wells-Dickey Trust Company, Mr. Wakefield became vice-president. The trust company was consolidated with the

Minneapolis Trust Company in April of last year and Mr. Wakefield was made vice-president of the new institution. The Minneapolis Trust Company and the First National Bank of Minneapolis are affiliated through stock ownership.

BENSON L. SMITH, formerly trust officer of the California Trust Company, of Los Angeles, was elected vice-president of the company at a recent meeting of the directors. Frederick R. Behrends, formerly assistant trust officer, was elected vice-president and trust officer.

Eight new directors had been chosen at a meeting of the stockholders held previously. They include C. H. Burlingame, manager Hollywood branch California Bank; H. M. Coffin, secretary California Bank and California Trust Company; Claude Fisher, contractor; W. R. Fraser, general manager the Harold Lloyd corporation; Alan E. Morphy, vice-president Pacific Gasoline Company; W. J. Murray, manager Van Nuys branch California Bank; Eugene Overton, attorney for Overton, Lyman and Plumb; C. J. Thorson, treasurer California Bank and manager of the corporate trust department of the California Trust Company.

HENRY P. DAVISON has been elected to the board of trustees of the New York Trust Company to succeed his brother, F. Trubee Davison, who resigned to take up his duties as Assistant Secretary of War. The election means a continuance of the Davison family's relationship with the bank which was begun more than thirty years ago by Mr. Davison's father, the late Henry P. Davison.

The elder Mr. Davison became cashier of the Liberty National Bank in 1894 and rose, by successive stages, to president. He later became associated with the First National Bank of New York and with J. P. Morgan & Co., but remained a trustee of the New York Trust Company, with which the Liberty National was merged, throughout his lifetime.

HAROLD F. GREENE, vice-president of the Guaranty Company of New York, has been appointed a member of the executive committee of the company.

ANDREW M. CHAFFEY, president of the California Bank, Los Angeles, has been elected chairman of the board of the National City Bank of Los Angeles, which was taken over by the former institution recently. Gordon C. Smith, comptroller of the California Bank, was named executive vice-president.

Other changes include the addition of Mr. Chaffey, Mr. Smith, Harry J. Bauer and George A. J. Howard, the last mentioned a vice-president of the California Bank and president of the California Securities Company, as directors of the National City Bank; and R. F. McClellan, formerly chairman of the board, as vice-chairman of the board. Malcolm Crowe, president of the National City Bank, and other officers, will remain as before.

A. N. Kemp, executive vice-president of the California Bank, will be elected a director in the other institution on his return from Europe in the fall, and G. Allan Hancock will be added to the directorate on his return from a yachting trip to British Columbia, according to the Los Angeles *Times*.

MEYER KUSSY is serving as president of three Newark, N. J., banks, since his recent election to the new People's National Bank, which opened at 232 Orange avenue in July. Mr. Kussy is also president of the West Side Trust Company and of the South Side National Bank and Trust Company.

Ray E. Mayham, vice-president and director of the South Side National Bank and Trust Company and of the West Side Trust Company, is vice-president and cashier of the new bank; Samuel Schechner, a director in both the West Side Trust Company and the South Orange Trust Company of South Orange, is a vice-president; and Raymond C. Buck is assistant cashier.

W. H. THOMSON has been made an executive vice-president and H. A. Bell an executive vice-president, loan department, of the Pacific-Southwest Trust and Savings Bank of Los Angeles, Calif. P. L. McMullen has been appointed cashier.

The appointment of Mr. Thomson, vice-president of the First National Bank of Los Angeles, as executive vice-president of the Pacific-Southwest Trust and Savings Bank marks another step in the closer correlation of the activities of these two institutions under the leadership of Henry M. Robinson and Charles F. Stern. Mr. Thomson has served for the last four years as vice-president of the First National Bank of Los Angeles, a position which he will retain while discharging his new duties with the sister institution.

Mr. Bell has been vice-president of the Pacific-Southwest Trust and Savings Bank for three and one-half years and logically succeeds to the executive position in charge of the loan department.

The rapid growth of the Pacific-Southwest Bank makes necessary a division of duties in the operating department, evidenced by the resignation of Jay Spence as cashier and the election of P. L. McMullen. Mr. McMullen, vice-president, came to the Pacific-Southwest Bank from Oakland four years ago and has gradually taken over the duties of cashier. His appointment, therefore, as cashier, officially confirms a de facto situation. In addition to retaining the duties of vice-president and treasurer, Mr. Spence takes on other important and correlated functions.

The executive roster of the Pacific-Southwest Trust & Savings Bank now reads as follows: Henry M. Robinson, chairman of the board; Charles F. Stern, president; W. H. Thomson, executive vice-president; Motley H. Flint, executive vice-president, Los Angeles; William Rhodes Hervey, executive vice-president, trust department; H. A. Bell, executive vice-president, loan department; P. L.

McMullen, vice-president and cashier; and Jay Spence, vice-president and treasurer.

H. A. BELL
Executive vice-president loan department Pacific-Southwest Trust and Savings Bank of Los Angeles, Calif.

JOSEPH FRANKLIN STEELE has been appointed manager of the foreign department of the Guardian Trust Company of New Jersey, according to a recent announcement made by Clarence G. Appleton, president. Mr. Steele assumed his new duties on August 23. He entered the banking business with the Royal Bank of Scotland and later obtained an appointment with the African Banking Corporation, Limited, in London in 1902. He then went to South Africa, serving the bank at Durban (Natal) and Pretoria (Transvaal). In 1907, Mr. Steele became connected with the Anglo South American Bank, Limited, in London. He served this institution twelve years, in various positions at the head office in London and at branches in Buenos Aires and Valparaiso. In 1919

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W. H. THOMSON
Executive vice-president Pacific-Southwest Trust and Savings Bank of Los Angeles, Calif.

he joined the force of the Guaranty Trust Company of New York and shortly afterward was appointed assistant manager of the foreign department at the main office at 140 Broadway. In 1924 he resigned to go to Europe. Later he joined the National Credit Office, Inc., New York, to organize and manage a foreign trade credit department which is now in his charge.

Mr. Appleton also announced that W. E. Nieman has become connected with the new business department of the Guardian. Mr. Nieman received his early banking training with the First National Bank in St. Louis and the First National Bank in Detroit. He has served as assistant to the general comptroller of the United States Shipping Board, in charge of the foreign exchange and banking division, and as new business representative of the Empire Trust Company of New York. He also managed numerous philanthrophical financial campaigns.

GUARDIAN TRUST OF NEWARK SETS NEW OPENING DAY RECORD

At the close of its first day of business on August 2 the new Guardian Trust Company of New Jersey, Newark, N. J., reported total deposits of $7,008,000 and total resources of approximately $15,000,000, both figures passing all previous records of American banks in the East and Middle West for initial day's business. By August 5, three days following the opening, deposits increased to $8,284,094 and total resources to $16,256,821. The bank has a paid-in capital of $5,000,000 and surplus of $2,500,000, the largest initial capital and surplus of any new bank formed in the United States.

The officers and directors of the Guardian Trust Company include experienced bankers and prominent business men in the East. The new trust company will be strictly a New Jersey institution but its operations will be carried along lines similar to those under which the larger New York institutions operate.

A unique feature in connection with the Guardian organization, so far as New Jersey banking is concerned, is the Guardian Securities Company, all of the capital stock of which is owned by the trust company. It is the first New Jersey bank to have such an affiliation and the success of this adjunct has already been demonstrated. James Rattray, formerly of the Guaranty Trust Company of New York is president of the Guardian Securities Company and vice-president of the Guardian Trust Company.

Michael Hollander, chairman of the board of directors of the Guardian Trust Company, is head of A. Hollander & Sons, furriers of Newark, N. J. Clarence G. Appleton, president of the new trust company, prior to joining the Guardian, was vice-president of the Montclair Trust Company of Montclair, N. J. He also, for a number of years, was an officer of the Fidelity Union Trust Company of Newark, the largest institution in the state. From the standpoint of capital and surplus, Guardian Trust Company ranks second to the Fidelity Union Trust Company. Mr. Appleton was successful in tripling the deposits of the Montclair Trust Company within a six year period.

Grover C. Trumbull, vice-president of the Guardian, was formerly an officer of the New York Trust Company of New York City and also was affiliated with the Liberty National Bank prior to its merger with the New York Trust Company. Mr. Trumbull is well known in the banking world. He served with the United States Department of Justice as a bank accountant twenty years ago before joining the banking fraternity, and has been active in Robert Morris Associates, the national association of bank credit men.

James Rattray also is well known among bankers. Before becoming an officer of the Guaranty Trust Company of New York, from which he resigned to join the Guardian, Mr. Rattray was an officer of the Bank of Buffalo, Buffalo, N. Y. He also was active in the educational work of the American Institute of Banking, serving the Buffalo and New York Chapters of the Association as instructor in banking and finance. He also instructed classes in federal taxation at Columbia University for two years. He gained prominence also as a writer of magazine articles on economics and financial topics and as a speaker at many conventions of national and state bankers.

William W. Kamm, vice-president is an officer of Louis Kamm, Inc., one of the largest real estate firms in Newark, N. J. William Harris, secretary and counsel for the trust company is a prominent Newark attorney. Messrs. Harris, Kamm and Hollander were the founders of the institution, having obtained the original charter.

Albert L. Earle, treasurer was formerly with the New York Trust Company, and the Liberty National Bank of New

York, and has had twenty years of banking experience. The efficiency of the personnel and modern accounting system installed by Mr. Earle was demonstrated on the opening day. With deposits of more than $7,000,000 and every account a new one, the books were proved within thirty minutes after the bank closed its doors.

William E. Ford, assistant vice-president also was formerly with the New York Trust Company. Mr. Ford has complete supervision of the credit department. He has a long banking record, having been with the New York Trust Company for nineteen years.

The officers of the Guardian Securities are: James Rattray, president; Grover C. Trumbull and Oscar L. Weingarten, vice-presidents; Dr. Clarence R. O'Crowley, secretary; Philip Lindeman, treasurer; Harvey J. Campbell, assistant secretary and Ira C. Ayers, assistant treasurer. Both Mr. Campbell and Mr. Ayers were formerly with the Guaranty Trust Company of New York.

NEW SPRINGFIELD, ILL., BANK BUILDING

The contract has been let for a new twelve-story bank building, to be the home of the Ridgely-Farmers Bank of Springfield, Ill. Work will begin at once and the building will be completed, it is expected, by July 1, 1927.

Left to right: Clarence G. Appleton, president; Michael Hollander, chairman; and Grover C. Trumbull, vice-president of the new Guardian Trust Company of New Jersey, Newark, N. J.

BETHLEHEM STEEL STATEMENT

The quarterly report of the Bethlehem Steel Corporation for the second quarter of 1926 shows an increased total income of $12,096,033 for the second quarter as against $11,973,038 for the first quarter and $9,708,528 for the last quarter of 1925. The net income of the company for the same period, however, is less than that of the first quarter, $5,348,023 as compared with $5,865,850.

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LEWIS E. PIERSON

Chairman Irving Bank-Columbia Trust Company of New York, with which institution the National Butchers and Drovers Bank has been merged.

According to E. C. Grace, president, this decrease is due to the fact that the premium paid on the redemption of $1[illegible],000,000 worth of bonds on July 7 and the discount on and expenses incident to the issue and sale of secured serial 5 per cent. gold notes were both charged against the second quarter's earnings.

Operations were slightly lower during the second quarter, but remained at 82.3 per cent. of the total capacity despite the current increases in steel prices, which, according to Mr. Grace, have not caused any decrease in demand. The volume of current new orders is substantially larger than at the same season a year ago.

IRVING BANK TAKES OVER BUTCHERS AND DROVERS

Two of New York's oldest banking institutions were merged recently when the National Butchers and Drovers Bank, 100 years old, was absorbed by the Irving Bank-Columbia Trust Company, which has been in existence for seventy-five years.

At the same time the capital stock of the Irving-Columbia was increased to $22,000,000 and the surplus and undivided profits to $19,000,000, making a total investment of $41,000,000.

Lewis E. Pierson is chairman of the board of the Irving Bank and Harry E. Ward is president.

Resources of the Irving-Columbia on June 30, 1926, were $446,228,000, with a capital stock of $17,500,000 and undivided profits of $14,444,000. Its earnings for the year preceding that date were $23 a share and its dividend rate $14 a share. On July 26 the National Butchers and Drovers had a capital of $2,900,000 and surplus and undivided profits of $1,309,736.

A letter sent to shareholders of the National Butchers and Drovers Bank explained the details of the merger as follows:

"The shareholders of the National Butchers and Drovers Bank for each two shares held by them will receive one share in the Irving Bank-Columbia Trust Company, a total of 10,000 shares, which will be paid for out of National Butchers and Drovers Bank's surplus assets at the rate of $200 per share, a total of $2,000,000. They will also receive certificates of beneficial interest in the remaining surplus assets of the bank after the payment of its liabilities. These surplus assets will be liquidated as promptly as possible and the proceeds distributed in cash to the holders of beneficial certificates.

"At the time of the merger, the capital stock of the Irving Bank-Columbia Trust Company will be increased 45,000 shares. Ten thousand shares of this increase will be issued to the shareholders of National Butchers and Drovers Bank and paid for out of the bank's assets as stated above and 35,000 shares will be subscribed and paid for by the shareholders of Irving Bank-Columbia Trust Company, also at $200 a share.

"Irving Bank-Columbia Trust Company will contribute to the consolidated institution its entire present assets and earnings to date of merger, less only the amount of its regular current dividend. The consolidated institution accordingly will have capital of $22,000,000 and surplus of approximately $19,000,000.

"Each institution has appointed a merger committee to determine jointly the details incidental to the merger.

"The first step in the proposed merger is the temporary conversion of National Butchers and Drovers Bank into a state bank, in order that it may legally merge

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HARRY E. WARD

President Irving Bank-Columbia Trust Company, New York.

with Irving Bank-Columbia Trust Company, another state institution."

In a formal statement Israel Unterberg, president of the National Butchers and Drovers Bank, said:

"This consolidation will greatly broaden the services available to Butchers and Drovers' customers and will bring another of New York's largest banks to the west side of mid-town, Manhattan. Our institution, by its association with the Irving, henceforth will share in the experience, knowledge and large-scale management which has developed a business that is not only local, but national and international.

CHARLES S. CALWELL
President of the Corn Exchange National Bank of Philadelphia, with which the Third National Bank of that city has recently been merged.

"The complete foreign exchange and trust facilities of the Irving will be available for our customers, as well as all the usual banking and investment services. Butchers and Drovers' clientele has every reason to expect many advantages from the consolidation.

"Under Irving Bank-Columbia Trust Company's form of organization, each office is a complete bank for all customer purposes, and its management is closely identified with the business of its district, generally through an advisory board. Butchers and Drovers' directors will become members of an advisory board. Details as to the personnel of management and operations are being arranged with full consideration for customers' interests and the needs of the territory served.

"Both institutions at present do a considerable business with the textile, clothing manufacturing and affiliated industries. Irving Bank-Columbia Trust Company has been an important factor in the banking of these industries for a long time, and already has many customers in the west side of mid-town.

"Headquarters of the Butchers and Drovers are situated at Seventh avenue and Thirty-seventh street. There is a branch at Broadway and Third street. Irving Bank-Columbia Trust Company does business in sixteen of New York's busiest centers, in addition to which it maintains offices in the Woolworth building for handling its relations with out-of-town and foreign customers, and for its general administrative staff."

On behalf of the Irving-Columbia, Mr. Pierson said that for some time the Irving had been desirous of obtaining a location in the west side business district where many of the company's customers are now located, and welcomed this opportunity to have associated with the Irving for the future the group of men who have built up the business of the Butchers and Drovers Bank.

PHILADELPHIA MERGER

MERGER of the Third National Bank with the Corn Exchange National Bank, both of Philadelphia, took place last month, with the new bank taking the name of the Corn Exchange National. Charles S. Calwell, president of the Corn Exchange National, continues in his former position, while directors of the new institution include some of the outstanding men in industrial, commercial and financial interests of the city.

Business is being conducted at the banks on State and Chestnut streets and at 1510 Chestnut street while the Third National's quarters will be sold.

The capital of the new bank is $2,700,000; surplus and undivided profits, $8,100,000; and deposits, $72,000,000.

The directors are: Mr. Calwell, Lewis R. Dick, who is president of the Third National Bank and will become an active vice-president of the merged bank; William L. Supplee, Joseph H. Parvin, William H. Folwell, Walter A. Bailey, Frank H. Moss, George W. B. Roberts, M. N. Willits, Jr., Louis R. Page, David C. Bradley, Paul Thompson, Ira Vaughan, Alan D. Wood, Francis A. Lewis, Howard Longstreth, Charles J. Webb, D. Evans Williams, Jr., Edward C. Dearden, Hamilton Disston, Samuel F. Houston, Humbert B. Powell, G. Brinton Roberts, W. LeMar Talbot and J. Willison Smith.

All of the directors of the consolidated institution had served previously on the boards of either the Corn Exchange or Third National banks with the exception of Mr. Smith. He is president of the West End Trust Company and was elected an additional member of the bank board.

Mr. Calwell, president of the merged institutions, is one of the outstanding factors in financial and business affairs in Philadelphia; one of the few persons of that city who started at the bottom and earned every advancement that has come to him. He has been with the Corn Exchange National Bank since 1899, serving as clerk, assistant cashier, cashier, and vice-president. He has been president since 1919.

He was president of the Pennsylvania Bankers' Association in 1924 and during his administration introduced and brought to completion several features of much value to the banks of the state.

SIX MORE BANKS ANNOUNCED FOR BROOKLYN

SIX new banks are to be opened in Brooklyn during the last half of 1926, an increase of one over the five opened there the first six months of the year.

The two largest, in capital, will be the

Traders National Bank and the Bedford National Bank and Trust Company, each capitalized at $500,000. The former will open this month, the latter later in the year.

The Dewey State Bank, capitalized at $100,000, opened in August at Avenue M at East Seventeenth street; the Granite National, 198 Livington street, will open November 1 with a capital of $300,000; the Flatbush National, capitalized at $200,000, will be located near Church and Flatbush avenues; and the Bensonhurst National, plans for which are still incomplete, will have a capital of $200,000.

The banks launched during the first half of the year are the Nostrand, Citizens', Canarsie State, Rugby National and Lafayette National.

N. Y. NATIONAL BANKS EARN $55,491,000 IN YEAR

THE total net earnings of the twenty-four individual national banks of New York for the year beginning June 30, 1925, and ending June 30, 1926, were $55,491,000, according to tabulations in the *Financial Age*.

The present capital, $193,800,000, and the surplus and profits, $340,020,000, bring the average net funds of the institutions to $3,614,110,000.

The total increase in the surplus and profit account is $31,688,000, and dividends amounting to $40,069,000 were paid to stockholders. As six of the banks listed paid no dividends during the period, the average dividends paid by the remaining eighteen banks equaled approximately 21.5 per cent. yearly.

The First National Bank paid dividends amounting to $10,000,000 and added $4,772,000 to surplus, increasing that item to $74,875,000. As the capital is but $10,000,000, the indicated earnings equal 147.7 per cent. The latest bid for the stock is $2550 per share and the earnings on the market value equal about 5.8 per cent.

The National City Bank also paid $10,000,000 in dividends and added $1,007,000 to surplus, but as the capital is $50,000,000, the indicated net earnings equal 22 per cent. on capital The bid price of this stock is 622 and earnings on the market price are equal to 3.5 per cent.

To arrive at the earnings of the Chase National Bank it is necessary to take into consideration the recent absorption of the Mechanics and Metals National Bank by the Chase. The figures indicate that the Chase earned, net, $5,813,000. The dividends paid amounted to $4,800,000, and the entire furniture and fixture account of $2,436,000 was written off. The increase in the surplus of $10,277,000 includes the amount brought over by the amalgamation of the Mechanics and Metals, and the figures indicate that the net earnings were equal to

The ages of art and the skill of modern science have combined in the making of the new home of the Federal-American National Bank, Washington, D. C. The exterior is of variegated Indiana limestone. The interior is of George Washington sandstone and American walnut.

NEW BUILDING OF THE FEDERAL-AMERICAN NATIONAL BANK, WASHINGTON, D. C.

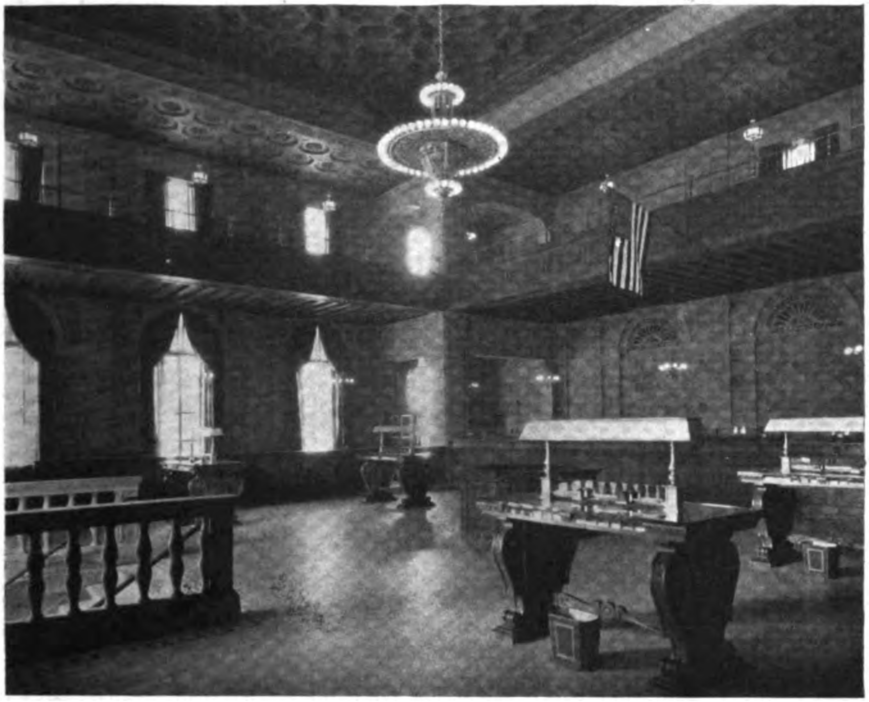
IN many respects the opening of the new Federal-American National Bank at Washington, D. C., marked a red-letter day in banking history. Artistic throughout in design and arrangement, the building embodies several features hitherto untried in banks of America. The Federal-American is destined to go down in the annals of banking as the first institution to eliminate the cages and grills associated for centuries with the paying and receiving of moneys and securities. It will be long remembered, also, as a banking house that has successfully combined beauty and art with practicability, utility and efficiency. Visitors from all over the country have praised it as one of the outstanding structures of its kind.

HISTORY OF THE BANK

Although one of the younger large banks in the District, the Federal-American in the last few years has merited attention not only locally but also nationally as a progressive institution daring to throw off the shackles of custom and usage in the interest of improved methods and greater service.

The beginning of the present institution dates back some twenty-three years with a capital of $250,000. The banking room was at 610 Fourteenth street. I. B. Linton, who was one of the original organizers and directors of the American National, is still a member of the board of the present institution. A year or so later, the bank negotiated for

Officers of the Federal-American National Bank of Washington, D. C.



A view of the banking floor. This view is looking toward G street with the officers' quarters on the left. At right is seen a section of the "cageless counters" where both paying and receiving are done. The walls are in sandstone and the woodwork is in American walnut. The desks, counters and mezzanine are all hand carved.

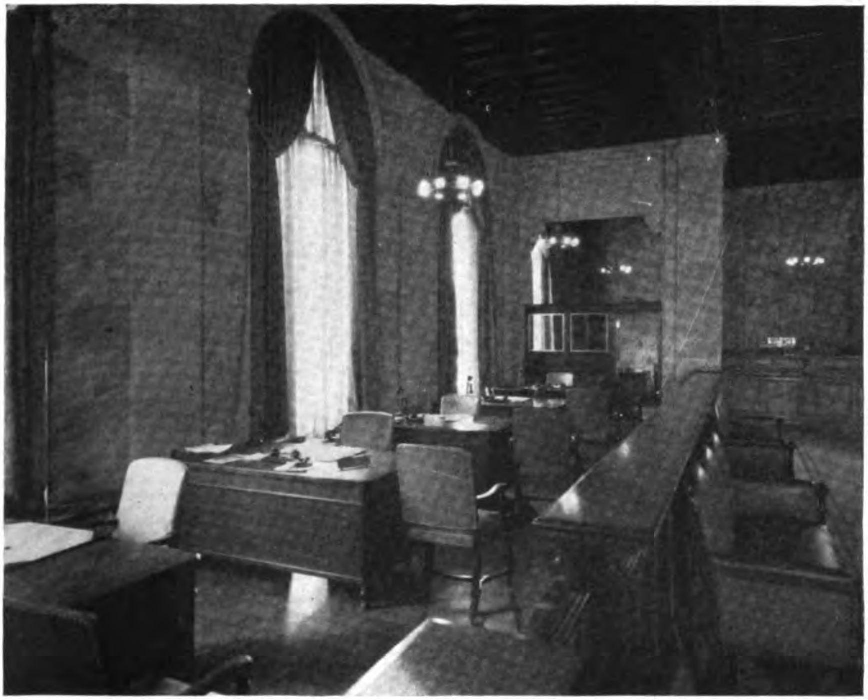
and purchased what was known as the Sun Building at 1315 F street. When the institution took over the building, the capital stock was increased to $500,000, at which time, also, W. T. Galliher became associated with it as a director. In 1910 Mr. Galliher was elected president of the bank. The growth of the bank has been so rapid that within five years from its organization the capital stock was raised to $600,000.

The American Bank had been in operation fully a decade when John Poole, cashier of the Commercial National Bank, withdrew from that institution and organized the Federal National Bank. Prominently associated with him in this enterprise were the late Joseph J. Darlington and the late Clarence D. Rheem, founder of the firm of Swartzell, Rheem and Hensey. Although only 37 years of age at the time, Mr. Poole had the confidence of many of the District's leading business and professional men, and the original board of the Federal Bank is a tribute to him and his banking acumen. At that time Washington apparently was ripe for a new bank, for the original issue of $500,000 capital stock was over-subscribed in a day. Mr. Poole was selected as the president of the new bank, and he has continued in that position ever since. The bank made steady progress during its early years and with its growth in business came an increase in capital stock to $600,000.

When, in 1922, the desirability of effecting a merger of the Federal National and the American National was presented to the respective boards of these institutions, the directors saw in this move the formation of a large banking house capable of serving the needs of a

A glimpse into the office of the chairman, William T. Galliher. The walls of this office are in George Washington sandstone—the furniture in American walnut, upholstered in blue leather—the drapes in blue and gold.

Office of President John Poole. Again are found a George Washington sandstone with variegated limestone and occasional heavy veining. Combined with this is the rich color tone of American walnut used in all of the furniture and woodwork.



Officers' quarters, affording easy access for customers and an excellent opportunity to observe the general activities of the bank. American walnut furniture is used, trimmed in blue leather, with rubber tiled floors in color to harmonize.

growing community. Consequently, on November 1, 1922, the two banks consolidated with a combined capital of $1,200,000, and took as their temporary home the quarters of the American Bank. At that time the vision of a monumental bank at Fourteenth and G streets was born, and shortly after the consolidation plans were drawn for the present building. In the three and one-half years since the merger the bank has had a healthy growth, advancing from the $9,000,000 in deposits at the time of consolidation at the rate of approximately $1,000,000 a year.

Striking in its architectural beauty and unique in its equipment, the new Federal-American Bank stands out among the banking houses of America. Yet this institution always had been a pioneer in banking practice. The Federal was the first bank in Washington to establish paying and receiving at the same window; it inaugurated the monthly statement system and was one of the first banks to develop a scientific analysis of accounts.

THE OFFICIAL STAFF

Much of the credit for the growth of the institution is due the officers and directors who have had the vision, the ingenuity and the willingness to work to give to Washington a banking house that would reflect favorably upon the National Capital.

Mr. Poole, the president, has won a place among the country's leading bankers. The new banking house, in large measure, is a monument to him. Many of the innovations in this building are the result of his fertile brain. Born in Parkersburg, West Virginia, in 1875, he came to the National Capital early in life and received his early education in

The new cageless counters. Everything is open and in full view, and yet no money can be seen or reached. On the left is the combination paying and receiving department. At the right begin the notes, collections and savings departments. This arrangement makes the rear walls of the room the background, thus enlarging and improving the appearance. It is much more economical in the use of lobby space, as a customer can be served in every four feet of space, whereas the normal cage is six feet from center of wicket to center of wicket.

the district grade and high schools. He began his career as a public accountant, and entered the banking business in 1900 with the Washington Loan and Trust Company. He has held many positions of honor and trust including the chairmanship of the five Liberty Loan drives in the District of Columbia; he is a former vice-president of the American Bankers Association, a past president of the District of Columbia Bankers Association and the Washington Chapter, American Institute of Banking. He is a past present of the International Association of Rotary Clubs. He is a Thirty-second degree Mason, a past master of Temple Noyes Lodge, and a director in the Acacia Mutual Life Association. He has been and is still active in many social and business clubs and organizations in the city.

In carrying out his plans for the new bank, Mr. Poole has had the constant support of W. T. Galliher, chairman of the board, and of the thirty-nine members comprising the directorate. Mr. Galliher is one of Washington's leading citizens. He was chairman of the Inaugural Committee for President Coolidge, a member of the District of Columbia School Board, a past president of the District of Columbia Bankers Association, a director of the Washington Railway and Electric Company and the Potomac Electric Power Company, and for the last forty years prominently identified with the business life of Washington.

Where the directors meet.

The official staff of the new bank also includes William John Eynon, Wilmer J. Waller, Charles B. Lyddane, vice-presidents; Charles D. Boyer, cashier; William M. Seay, H. H. Shackleford and Joseph D. Yerkes, assistant cashiers; Erskine Gordon, trust officer; Leon Tobriner, general counsel; and William C. Johnson, assistant to the president.

Mr. Waller has been with the bank twenty years, having started as a runner with the American National in 1906. He advanced rapidly, and in 1920 was made cashier, and at the time of consolidation, two years later, was promoted to the vice-presidency. Mr. Lyddane was assistant cashier of the Federal National, and held the position of cashier at the time of the consolidation. At the time of the merger he was made vice-president.

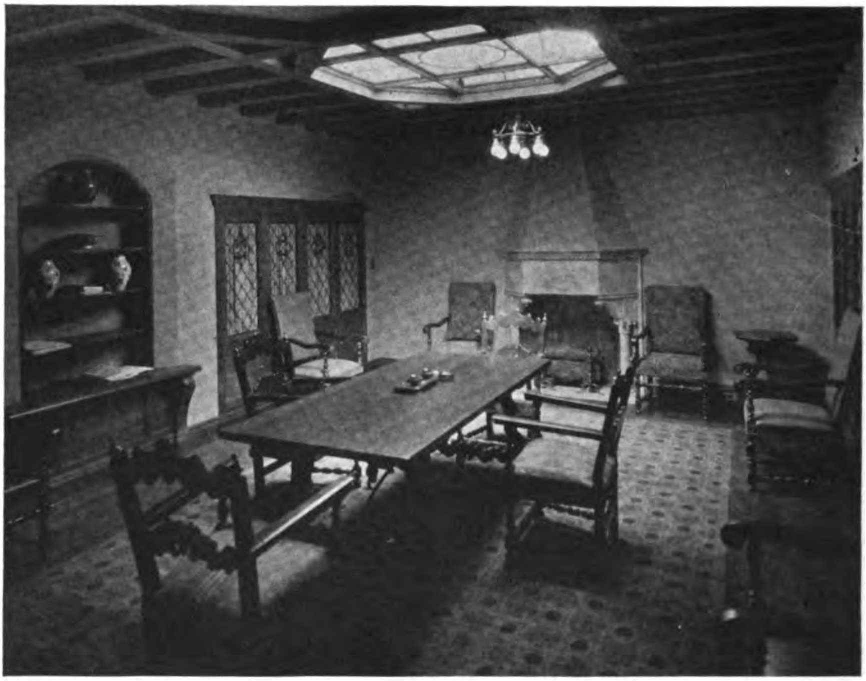
Mr. Boyer advanced in the old Federal Bank from general bookkeeper to assistant cashier. At the time of the consolidation he was elected cashier. The assistant cashiers, Messrs. Yerkes, Seay and Shackleford, were connected with either the Federal or the American for many years prior to the consolidation.

The trust department is in the charge of Mr. Gordon, who formerly held a similar position with the Continental Trust Company. For many years before becoming associated with the latter association, he practiced law in the District. During the war he was a major in the infantry.

Mr. Johnson, who is in charge of new business, was general agent for twenty years of the United States, Wells Fargo, American Railway Express Company. He became associated with the bank in 1918.

THE BOARD OF DIRECTORS

The new bank has one of the largest directorates of any bank in Washington. The members of the board are: Byron S. Adams, printer; Lester A. Barr, capitalist; Albert E. Berry, president of the

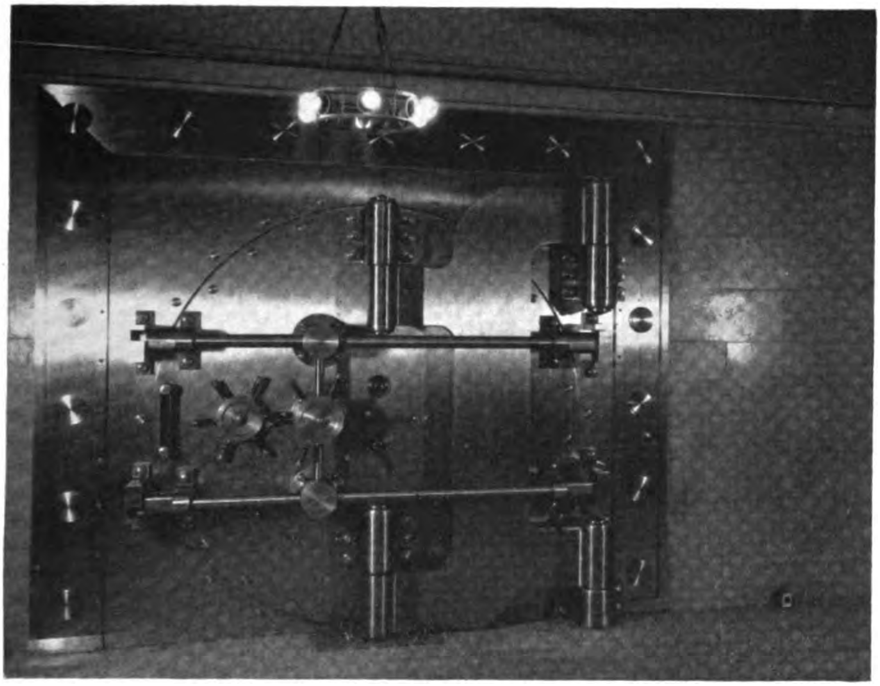


Committee room of the new building of the Federal-American National Bank. The design of the room is Spanish in every detail and the walls are hand plastered, giving the effect of ages past. Around the walls are book cases all in American walnut. The chair coverings are in green leather, with a few pieces in highly colored Spanish silk, fastened with ornamental brass figures.

Chesapeake and Potomac Telephone Company; Thomas Bones, vice-president of Wardman Construction Company; W. F. Brenizer, president of W. F. Brenizer Company; Walter A. Brown, real estate; Joshua W. Carr, secretary, Perpetual Building Association; John H. Clapp, capitalist; A. L. Clarke, wholesale lumber; Myer Cohen, attorney; William Knowles Cooper, general secretary of the Young Men's Christian Association; John T. Crowley, United States Employment Bureau; John Dolph, manager of Metropolitan Life Insurance Company; T. C. Dulin, treasurer of Dulin and Martin; William John Eynon, printer; W. G. Galliher, real estate; W. T. Galliher, chairman of the board; Isaac Gans, treasurer of Saks and Company; Fred S. Gichner, ornamental iron works; W. F. Ham, president of Washington Railway and Electric Company; George W. Harris, photographer; C. M. Hendley, capitalist; Dr. Ralph Jenkins, physician; Harry King, King's Place; Ralph W. Lee, insurance; I. B. Linton, attorney; Dr. Louis Mackall, physician; J. A. Maedel, attorney; Arthur D. Marks, business manager of the *Washington Post*; John L. Newbold, president of Merchants Transfer and Storage Company; Frank B. Noyes, president of the *Evening Star*; John Poole, president of the bank; Dr. James Brown Scott, secretary of Carnegie Endowment, International Peace; James F. Shea, real estate; Warner Stutler, contractor; Leon Tobriner, attorney; George E. Walker, lumber; and L. Perry West, vice-president of the West Brothers Brick Company.

THE BUILDING

The new Federal-American National



Door to the safe deposit vaults. These vaults were manufactured and installed by the Herring-Hall-Marvin Safe Company, New York.

Bank Building is an "elevated" bank, the banking room being on a floor about ten feet above the street level.

The building is constructed of variegated limestone, with a granite base. It is a monumental bank building with no office floors. There are seven shops on the ground floor, which have large basements, running out under the sidewalk.

The main doors are bronze—the open bars giving a most pleasing view of the staircase and banking room, when the building is lighted in the evening.

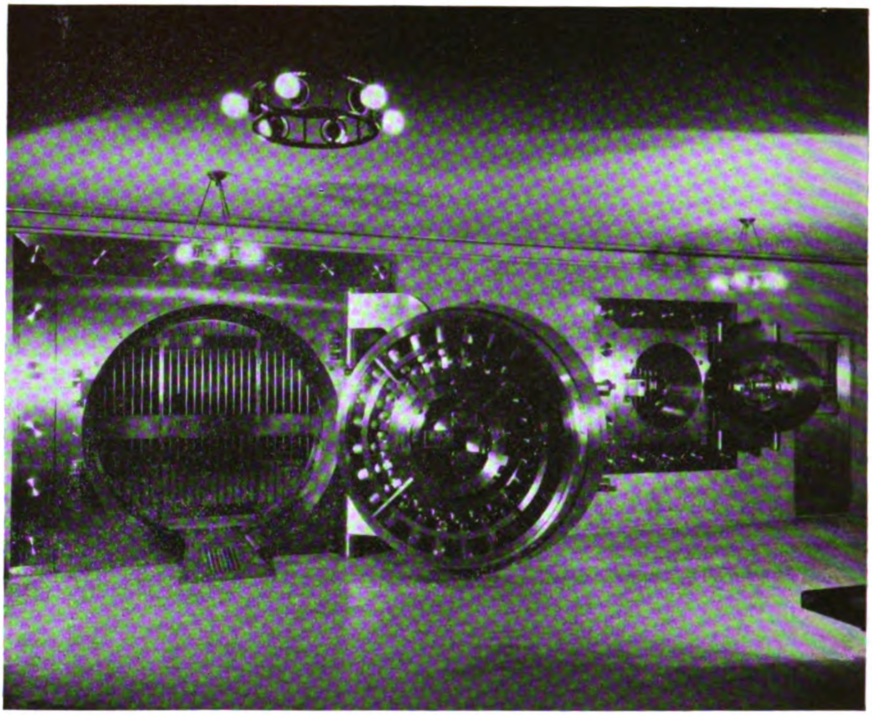
From the very doors one can obtain a splendid view of the banking room, and immediately "feels" within the bank. One visitor has said—"A feeling of spaciousness and magnificence so impressive that it almost takes one's breath away is the first effect that the visitor receives in entering the building. From the outside, one can obtain no conception of the splendor of the great banking hall within."

Just inside the doors is a vestibule, done in Benedict silver, which affords perfect protection against high winds and cold air, and at the same time obviates the need of revolving doors.

The staircase lends an easy and attractive approach to the banking floor—two flights of nine steps each. The staircase is travertine and George Washington sandstone. There are two elevators, one on either side of the entrance, always in readiness to accommodate customers who do not care to use the stairs.

THE BANKING ROOM

The elevated banking floor, designed and decorated along medieval Spanish and Italian themes, is surpassed for beauty and artistic effect by no financial institution in America. The ceiling is of Spanish design, hand painted, from the center of which is suspended an unusually beautiful chandelier in artistic



Entrance to the vaults. The vault has two doors, one of thirty tons, the other thirteen, each with four time clocks. The doors lock open as well as closed. Vaults were manufactured and installed by the Herring-Hall-Marvin Safe Company, New York.

keeping with the general treatment of the main room. There is a wide mezzanine around the four sides of the room about eighteen feet above the banking floor. The walls are constructed of Aquia Creek quarry sandstone, known as the George Washington sandstone, of which Washington constructed a mill at Great Falls, Virginia, the walls of which are still standing. The run of the quarry was used in preference to selected stone, thus giving a very beautiful and colorful effect to the entire room. The colors run from a suggestion of a pinkish tone to all the various shades of brown, and blend equisitely with the hand carved American walnut used in the tellers' counters, the mezzanine railing and woodwork throughout the entire bank.

In the center of the lobby is an "information booth" of American walnut, where various questions are answered, and from where publicity about the bank is distributed.

OFFICERS' QUARTERS

The officers are located on the north side of the lobby where they are easily accessible and have a perfect view of all the activities of the institution. The furniture is American walnut upholstered in blue leather, and the floors are rubber tiled in colors to harmonize.

The high arched windows, which extend the full height of the room give it a mellow and adequate lighting. The draperies are blue and gold and harmonize with the leather of the furniture, the stone and the woodwork.

THE NEW TYPE COUNTERS

Aside from the artistic features of the new building probably one of the most striking innovations, and one that is expected to revolutionize existing banking arrangement, is the new type of counter originated by John Poole, president of the bank, and worked out in architectural detail by Alfred C. Bossom of New York, bank engineer and architect. Contrary to the usual type of construction the bank has no tellers' cages, no wickets, no high grills. The increased co-operation between banker and clientele is one of the main reasons for the adoption of this new device. The new counter has two levels, the first being three feet six inches from the floor and having a ledge eight and one-half inches wide, which is used by customers for counting. Over the glass surface of the second level, which is a few inches higher, deposits are received and checks are cashed. On this level is a slight rail consisting of three metal rods about four inches apart and supported by ornate stanchions. These rods are hand hammered and most attractively designed. Under the top on the inside of the counter is a recess, lighted by electric lamps having strong reflectors in which space the teller may keep papers and such specie as he desires. The bulk of the moneys in his charge are in a counter drawer in front of him and a money truck behind him. The new arrangement is said to have many advantages besides as a deterrent to thieves and bandits. Every clerk in the bank can see his visitor and all of his fellow-workers. The arrangement also insures greater service to the public. It is most suggestive of the relationship of confidence and trust between the bank and the customer and hundreds of customers have so expressed themselves. The customers can be served in four feet of lobby space, whereas normally, the architect allows six feet from center of wicket to center of wicket. It can, therefore, be seen that this new plan gives 50 per cent. more utility to any given amount of lobby space. It is understood that the new device will be installed by a number of banks throughout the country as a substitute for the fortress-like screen which has heretofore been employed. In fact, several banks have already contracted for a similar counter.

THE MEZZANINE

On the mezzanine is located the trust department, where all fiduciary work is carried on, where it is quiet and away from the activity of the bank proper, and from where a splendid view of the bank lobby can be had. The mezzanine also offers an attractive place for committee conferences or expansion for officers' quarters.

Over the ceiling of the banking room is another floor where are located the directors' room, the library and committee room, and the bookkeeping, filing, clearing house and transit departments.

THE DIRECTORS' ROOM

This is a room distinctly Spanish—with beautifully hand painted ceilings, hand plastered walls of the Sixteenth Century type. American walnut cupboards help materially in the decorative effect of this magnificent room. The chairs and table are in American walnut, some of the chairs being covered in light green leather, others in very beautiful soft tapestry. Persian rugs, specially designed and made in three sections for easy handling, cover the floor.

The library and committee room is a room Spanish in every detail, even to a miniature Spanish ship. Around the walls are bookcases to accommodate the growing needs of the bank, all built in American walnut. The chair coverings are in green leather and tapestry with a few pieces in highly colored Spanish silk, fastened with ornamental brass figures. The walls are hand plastered giving the effect of ages ago.

The bookkeeping, filing, clearing house and transit departments are all equipped with the very latest equipment that the market provides. There is abundant natural light and fresh air.

The safe deposit department is in the

basement of the building and is reached only by elevators so far as patrons of the bank are concerned. The walls and floors are of marble. The vault has two doors, one thirty tons, the other thirteen, both with four time clocks. These doors are known as the "plug" type, which is the latest style in vault doors. The doors lock open as well as closed. The vault is equipped with 2500 boxes although its total capacity is 8000 boxes of a general assortment of sizes. Inside, is a special telephone and light for emergencies, neither of which is controlled by any switchboard or employe of the bank. The vaults were manufactured and installed by the Herring-Hall-Marvin Safe Company, Hamilton, Ohio, and New York.

Another distinctive feature of this most modern building is the night depository service on the outside of the building, near the entrance. This is for the use of such customers of the bank as will enter into an appropriate contract and to be used by them only after and outside of banking hours—in other words, for the evenings, as well as Sundays and holidays. Each customer has a key to the rotary cylinder and a special container with his own padlock. The device is beautifully done in heavy ornamental bronze.

WHAT BANKS AND BANKERS ARE DOING

[Continued from page 414]

23.9 per cent. of the average capital employed during the year. Present quotation for the stock is about $420 per share, and if the ratio of earnings continues as shown by the computation the indicated earnings on this market value will be equal to 5.7 per cent.

FINANCIAL LIBRARIANS TO MEET IN ATLANTIC CITY

THE problem of selling themselves to their organizations, or "inside publicity" will be discussed by the financial group of the Special Libraries Association, which will meet in Atlantic City October 4-9. The publicity problem will be taken up Tuesday morning, October 5, by representatives from six banks. A discussion by members will follow.

"Why Budget" will be the subject of another session.

KENTUCKY BANKERS HOLD SPECIAL MEETING

A SPECIAL meeting of the Kentucky Bankers' Association, to confer on the question of interest rates on time deposits, was held July 27 at the Kentucky hotel in Louisville.

The meeting was called by the association president, Nicholas H. Dosker, and was in addition to the regular session of the association, which will be held in Louisville September 15 and 16.

MERCANTILE TRUST HAS MERGER DEPARTMENT

A NEW department and addition to the service of the Mercantile Trust Company, St. Louis, is a department "equipped to handle mergers, consolidations, sales and refinancing of business organizations, in the interest of greater volume of production with its consequent lower overhead, lower profit per unit but higher profit per year."

The service is characterized by J. Festus Wade, vice-president of the company as "rather unusual for a trust company to offer and we believe it is the first time such service has been offered by advertisement."

The company explains its departure in this field in the following advertisement:

"Because economy has become a national watchword, and because low price to the consumer through lower operating costs has become a business watchword, and finally, because Government has taken Roosevelt's advice, and now penalizes conduct—not size—it therefore becomes a logical step to merge business organizations for higher efficiency."

BROTHERHOOD TRUST SOLD

THE Brotherhood of Locomotive Engineers Co-operative Trust Company of New York has been sold to a financial group headed by Harry Henemier, a vice-president of the institution. The name of the company will be changed to the Terminal Trust Company, and Mr. Henemier will become its president. The present building at Seventh avenue and Thirtieth street will be retained.

BANK OF AMERICA DELAYS ACTION ON STOCK INCREASE PLAN

NOVEMBER 10 has been set for a meeting of the stockholders of the Bank of America, New York, called to authorize an increase in the capital stock of the bank from $6,500,000 to $8,000,000. The meeting was originally called for February 27 of this year and has been postponed each month since then because of litigation concerning the legality of the voting trust which controls the bank.

Early this year the bank announced that a majority of the bank's stock had been deposited in the voting trust formed in 1924 in order to prevent control passing to outside interests. The plan for the increase in stock was made public early in February but minority stockholders brought suit, charging that the voting trust was illegal. Justice Proskauer upheld this opinion but the Appellate Division's unanimous decision opened the way to vote the trusteed stock in favor of the increase.

BANKERS MAKE SURVEY OF BUILDING AND LOAN

A SURVEY of the building and loan associations of this country has been made and issued in pamphlet form by the savings bank division of the American Bankers Association.

HIBERNIA SECURITIES OPENS CHICAGO OFFICE

A CHICAGO office was opened July 15 by the Hibernia Securities Company, Inc., at 1232 Illinois Merchants Bank Building, with Kenneth S. Baetjer, former manager of the Atlanta office, in charge. This is the fourth branch opened by the company, others being in New York, Dallas and Atlanta.

The office has private wire connections with all the large cities, with the branch offices and with the main office in New

The debating team of Detroit Chapter of the American Institute of Banking, holder of the silver cup recently won at the 1926 Convention in Dallas, Texas, when its team was victorious in the national debate, is already making plans to be host for the next convention which will be held in Detroit in July, 1927. The Detroit Team is composed of Louis Komjothy, Peoples State Bank; Cecil Hunt, Detroit Savings Bank; D. M. Irwin, Peoples State Bank, and Frank Thomas, First National Bank. The debate was won by the Detroit Chapter upholding the negative of the question: Resolved that the Federal Reserve System should not be prohibited from engaging in open market transactions.

Orleans. It is equipped to handle high grade southern investment bonds, short term paper, foreign and domestic bankers' acceptances and other forms of first class investment securities. It also plans to co-operate with other investment houses in buying and distributing municipal and corporation bond issues.

Officers of the Hibernia Securities Company, Inc., are R. S. Hecht, president; A. P. Howard and F. W. Ellsworth, vice-president; G. H. Nusloch, treasurer; J. A. Beaudean, secretary; Willis G. Wilmot, assistant secretary; and A. L. Smith, Jr., assistant treasurer.

DENVER BANK INCREASES SURPLUS TO MILLION

THE surplus fund of the United States National Bank of Denver has been increased from $750,000 to $1,000,000 by a vote of the board of directors at its July meeting. The increase was made entirely from reserve earnings.

The bank's capital is $550,000; its surplus, $1,000,000; and its undivided profits, $290,000.

The Denver bank is one of the large earners of that city and has consistently retained large portions of its earnings in the business. The institution has also paid dividends to its stockholders over a long period of years, beginning shortly after its organization and continuing uninterruptedly since.

W. A. Hover, chairman of the board, and A. C. Foster, vice-president and president of the bank's affiliated investment company, have been officers of the bank since its founding. James Ringold, president, became associated with the institution shortly after its organization, as did many of the present junior officers, tellers and department heads. These men have witnessed the increase in the bank's capital and reserve accounts from \$140,000 to more than \$1,800,000. Deposits have increased, in the same time, from \$200,000 to \$19,000,000.

FIRST NATIONAL BANK OF BROOKLYN

A NUMBER of changes in the official staff of the First National Bank of Brooklyn, New York, have just taken place. Joseph Huber, formerly president, has become chairman of the board; John W. Weber, vice-president, has become vice-chairman; William S. Irish, formerly executive vice-president, has become president; Ansel P. Verity has been made a vice-president in addition to being cashier; Frederick W. Krueger, Austin Tobey, Jr., Russell C. Irish, and John W. Bargfrede, formerly assistant cashiers, have been made assistant vice-presidents; William J. Ahern is now assistant vice-president as well as trust officer; new assistant cashiers are William J. Plant, of the credit department; Andrew J. Ryder, from the Nassau National Bank, and Henry L. Nichols, from the Chase National Bank.

William S. Irish, the new president, has been connected with the First National for the last eighteen years and the institution has grown remarkably under his direction. It now has resources of almost \$20,000,000 and has just opened a downtown office at 26 Court street in addition to its Broadway office in Williamsburg where the bank was started in 1852. Mr. Irish is one of the well-known bankers in the state, having just completed a term as president of the New York State Bankers Association.

Mr. Verity was born in New York City. He started his banking career as a messenger in the North Side Bank in 1900 and entered the First National Bank as individual bookkeeper in November, 1905. He advanced in succession to general bookkeeper, paying teller, assistant cashier. He was made assistant cashier in March, 1910, cashier in July, 1918, and vice-president and cashier in July, 1926.

BANK BUILDING IN NEW ENGLAND

AMONG new bank building constructions in New England an important project from plans by Thomas M. James Company, Boston and New York architects, is the new building of the Old Colony Co-operative Bank at Providence. It will be called "Old Colony House" and will be a nine-story structure, purely colonial in style, brick and marble. The bank will use the main floor, basement and mezzanine and there will be offices on the other floors.

Thomas M. James Company are also architects for the following new projects:

A new branch bank building at Arlington Heights for the Arlington (Mass.) Five Cents Savings Bank.

A new bank building at Berlin, N. H., two stories, with banking rooms on the first floor and apartments on the second, for the Berlin National Bank.

A three-story addition to the Brockton (Mass.) National Bank Building, with new vaults, safe deposit, etc.

An addition to the building of the Brookline (Mass.) Trust Company.

A two-story addition to the Lynn Institution for Savings Bank Building at Lynn, Mass.

[Continued on page 440]

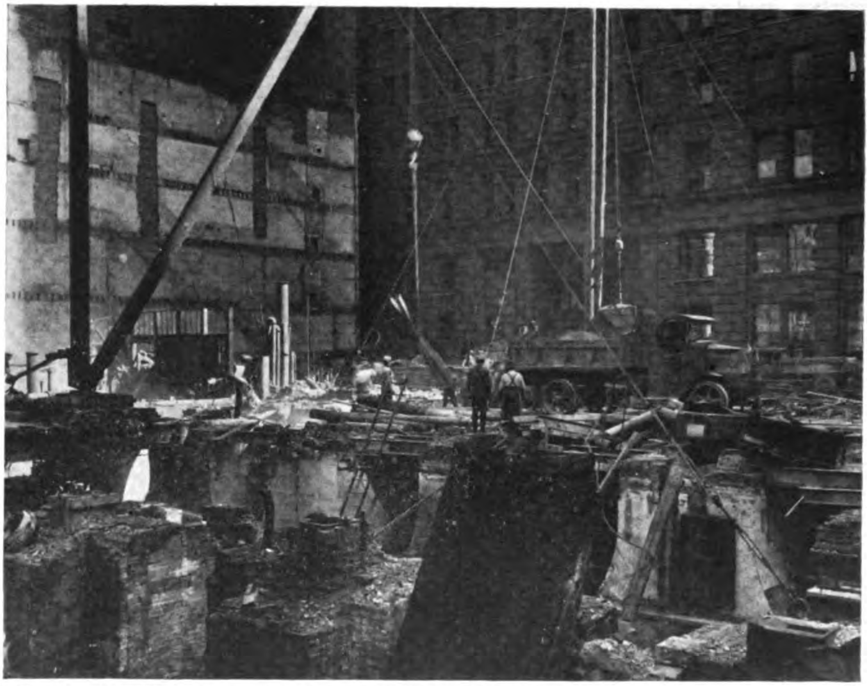
EXAMPLES OF RECENT BANK BUILDING OPERATIONS

Architects' sketch of new building for the First National Bank of Boonville, N. Y., designed by and to be erected under the supervision of Morgan, French & Co., Inc., bank architects and engineers, New York.

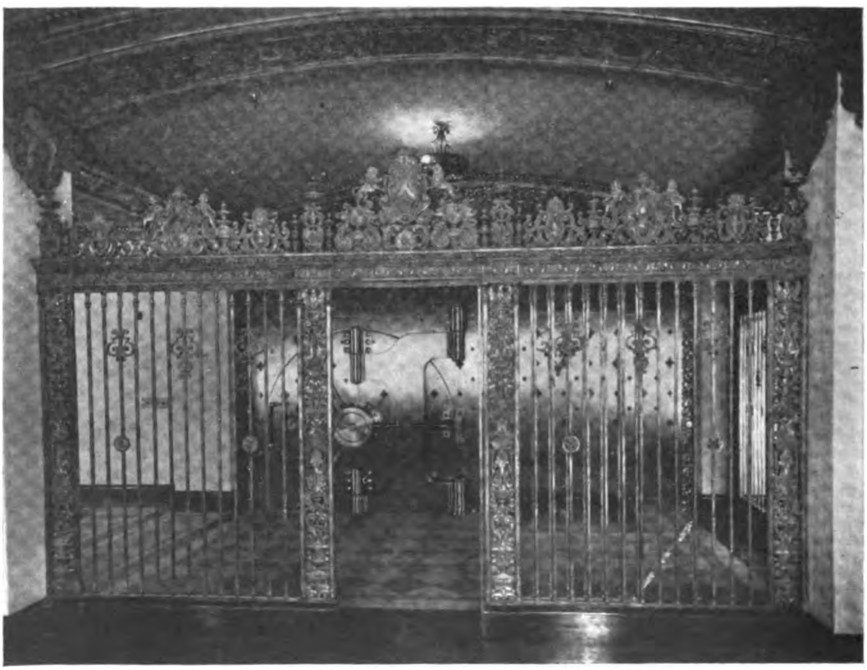
North side of main banking room of new building of the Pacific National Bank, of Los Angeles, Calif., showing treatment of tellers' cages.

Section of the safe deposit department in the new building of the Pacific National Bank of Los Angeles, Calif.

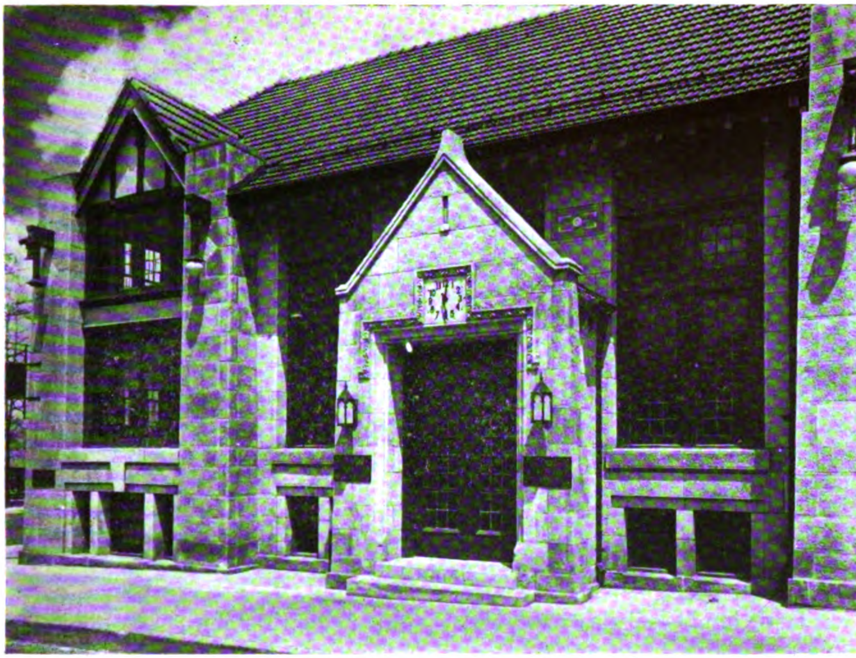
New building of the head office of the Pacific National Bank of Los Angeles, Calif.



Last bricks of the famous Wall street Mills Building being carted away. The Foundation Company recently commenced work on the foundation of the new structure of the Equitable Trust Company of New York on the site of the Mills Building. The new building will tower thirty-six stories above the street, a height of 546 feet. It will be constructed of granite, limestone and brick and will embody many new and modern features.



Section of safe deposit department, Pacific National Bank of Los Angeles, Calif.



The interesting and unique type of design of this main entrance to the Palisade Trust and Guaranty Company, of Englewood, N. J., is the result of the remodeling of the old entrance. The entire old building remained standing and it was necessary to make additions to sides and rear as well as the main entrance. Holmes & Winslow, New York, were the architects for the building.

Detail of the teller's screen in the Palisade Trust and Guaranty Company, Englewood, N. J. The upper screen is of hand carved weathered oak in keeping with the half-timber English style interior.

"IT WON'T BE VERY LONG NOW"

By Richard W. Saunders

THIS saying, which has come into general use of late, has in it a number of philosophic values. While some few of the expressions that capture the public taste are merely silly or nonsensical, the great majority really have a basis of real truth and epitomize in a brief manner some particular phase of life.

Success is usually achieved by doing something that one enjoys, but even so there are times when the heart grows weary and a stimulus is necessary to provide the "staying power" and enable one to keep up the pace. To the runner who has made lap after lap, what a help it is to know that the tape is not far off and that he can put every ounce of energy into the final stretch. It brings joy to the mountain climber as he pulls himself over the last "shoulder" that leads to the top. The twinkling light in the darkness that proves the goal in sight; the sight of land from ship board; the first glow of dawn in the sky after a long night's vigil, all these and many others typify the saying, with a thankful heart, that "it wont be long now."

Psychologists say that an exhausted man can drag himself forward by imagining to himself that the end is at a certain place just ahead and when that is reached, by again similarly exercising his imagination, and thus in time, by successive acts of this kind he eventually wins to the real goal. Life in all its phases, business, domestic, or social, is a strain and there are times when some of them become almost unbearable. The prevalence of suicide is a sad commentary on this, and many a man or woman, even child, finds the going too heavy. And yet every one could be buoyed up by some such method to face things for yet one more and still one more, effort to carry them over the hard places.

The cultivation of a sanguine disposition is a great aid. To take things more or less as a matter of course; to become engrossed in one's work so that it becomes a joy rather than a drudgery; to learn to pound away through joy or gloom at about the same pace, sweeping obstacles away by sheer power of will, these all tend to a normal happy life. The philosophic mind is perhaps the greatest real consolation in life and if, linked to it, could be joined the enjoyment of beauty of which the world is so full, then the need of such a stimulus is much less. Enjoyment diverts the mind from its cares.

Fortitude is a great virtue. Life is full of worth while moments but between them stretches many a grinding waste where staying power, and the steady but sure gathering of knowledge and accumulation of things that count, are demanded of him who would progress. Fighting on and on to get as far to the front as one can before the level is reached, calls for every particle of force and will. Character builds slowly and one of its chief methods is the cultivation of persistence.

There is another side of this saying that justifies thought. In advanced age, should one have failed to save enough to provide, at least, for his comfort, and as a result be dependent upon the bounty of others, then the thought, "It wont be very long now," must often come as a solace. Comfort drives away such ideas and it behooves every man as he goes through the acquiring years, to set aside enough to give him comfort and independence for his declining years. Even then, if no hobby or pursuit has been found to keep the mind in action, time must hang heavy on one's hands. Men must so prepare and plan that old age has no terrors and that with minds still alert and courage high, they can live out their allotted span with comfort and happiness.

Head office—12, Rue Halevy, Paris

BANQUE FRANCAISE ET ITALIENNE POUR L'AMERIQUE DU SUD

THE Banque Francaise et Italienne pour l'Amérique du Sud was organized in May 1910, under the form of a French joint stock company, having headquarters in Paris, with a capital of 25,000,000 francs—increased in 1919 to 50,000,000 francs. When the Banque Francaise et Italienne pour l'Amerique du Sud was first organized, it took over the business of the Banco Commerciale Italo-Brazileiro of San Paolo with two branches, one in Rio de Janeiro and the other in Santos and four agencies of which institution the Banca Commerciale Italiana had acquired control since 1906.

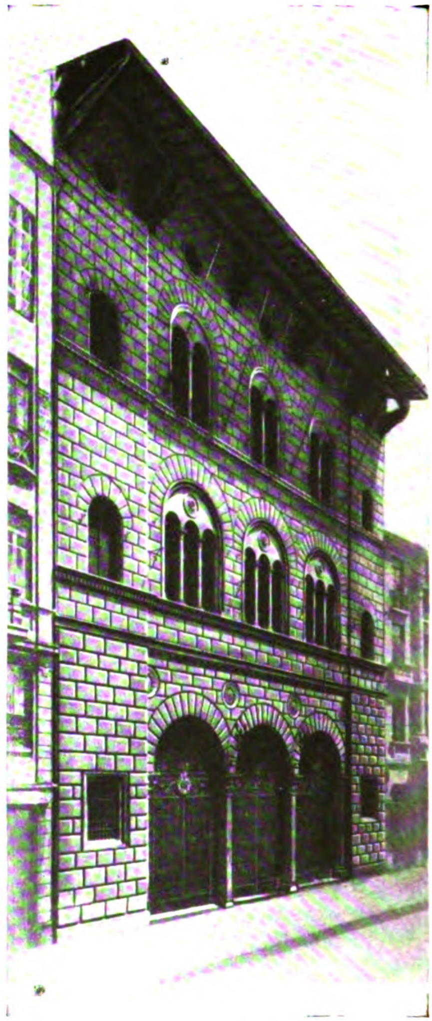
In 1911 the Banque Francaise et Italienne pour l'Amérique du Sud extended its activities to Argentina, by creating a branch in Buenos Aires. In 1912 it took over the assets and liabilities of the Banco Commerciale do Parana with an office in Curityba, which is the capital of the state, and with another branch in Ponta Grossa. Thereafter it developed the network of its branches throughout the coffee producing centers of the State of Sao Paulo. In 1917 a branch was established in Porto-Alegre. Subsequently branches were opened in Pernambuco, in Rosario, Santa Fe (1920), Valparaiso, Rio Grande (State of Rio Grande do Sul) (1921), Santiago of Chile (1923), Montevideo and Bogota (1924), and finally Bahia (1926).

Today the bank has twenty-four branches and agencies in Brazil, two branches in Argentina, one in Uruguay, two in Chile and one in Colombia. The bank is interested also in the development of its relations with the other South American republics and has in their territories an extensive network of correspondents, chosen preferably from French-Italian institutions and firms. In France, the bank established an agency at Toulouse and offices at Agen, Reims and St. Quentin, for the needs of the Italian colonies in those territories.

The results obtained appear clearly from the accompanying comparative table in which the principal figures from the annual reports and balance sheets since the foundation of the bank, as well

Rio De Janeiro Branch

Bogota Branch



Sao Paulo Branch

as the rates of dividends distributed, have been assembled.

On December 31, 1925, the surplus amounted to 57,376,000 francs.

From the yearly report made by the board of directors to the stockholders at their ordinary meeting of May 20, 1926, the following interesting comment was made on the operations of the year 1925:

"Our payments of the capital stock and surplus of our South American branches, which had to be made in milreis and in Argentine, Uruguayan, Chilean and Colombian piastres, in accordance with the laws of their respective countries, are always computed in our books at the rate of exchange for francs quoted when such branches were organized, that is to say at the parity of the gold franc or at rates close to it. Our special position as overseas bank compels us, in fact, to maintain the greatest part of our own resources on a gold basis."

It may be added that the bank is the owner of large buildings, the more im-

TABLE SHOWING DEVELOPMENT SINCE 1910

Year	Cash on hand	Bills discounted	Deposits and current accounts	Profits	Surplus and amounts carried over	Dividends
	(The figures following are in thousands of francs)					%
1910	21,303	56,515	58,489	2,222	6,337	8
1911	36,463	81,665	115,332	2,572	8,989	8
1912	30,777	103,216	110,393	2,957	10,522	8
1913	33,694	80,671	93,366	3,251	11,549	8
1914	47,373	48,357	70,775	1,662	11,644	6
1915	51,042	62,799	104,019	3,322	12,675	8
1916	46,358	92,545	115,586	3,658	14,011	8
1917	77,720	161,346	246,337	4,185	15,511	9
1918	169,552	207,684	413,786	5,540	18,238	9
1919	226,017	450,506	985,310	11,135	31,027	12
1920	401,240	560,127	1,172,862	13,045	31,156	13
1921	290,095	335,093	782,364	10,419	35,060	13
1922	321,295	396,020	850,875	10,511	39,048	13
1923	433,053	672,476	1,183,808	11,386	42,822	14
1924	385,631	478,629	1,303,199	14,274	48,540	15
1925	818,823	982,243	2,475,562	18,272	57,376	16

portant of which are located in Paris, Rio de Janeiro, Sao Paulo, Santos, Curityba, Pernambuco and Santiago and that it owns practically all of the capital stock of the Atlantis Joint Stock Corporation, which is the owner of the building where the bank's branch in Buenos Aires is installed.

The balance sheet of the bank as of December 31, 1925, follows:

LIABILITIES

	Francs
Capital subscribed and paid up	50,000,000
Reserve funds	49,920,670
Staff pension fund	6,456,290
Deposits and current accounts	2,475,561,635
Acceptances	9,540,587
Correspondents	437,434,223
Bills for encashment	1,149,686,801
Sundry creditors	455,679,998
Dividends payable and credit to profit and loss	15,455,086
Total	4,649,735,290

ASSETS

Cash in hand and at bankers	818,823,313
Bills	1,979,292,734
Correspondents	845,096,497
Current accounts	685,116,726
Investments and interest in syndicates	17,540,763
Bank premises in France and America	22,151,146
Sundry accounts	272,455,923
Investments of banks and affiliated societies	9,258,188
Total	4,649,735,290

The president of the bank's council of administration is M. J. Kulp, member of the board of directors of the Banque De Paris and Des Pays-Bas, and the vice-president M. S. Crespi, president of the Banca Commerciale Italiana. The other members of the council are: MM. A. Autrand, F. Bocca, J. Chevalier, R. Delaunay Belleville, L. Della Torre, P. Fenoglio, H. Finaly, A. Fould, V. Fron-

Montevideo Branch

Buenos Ayres Branch

Santiago de Chile Branch

tini, P. Gauthier, G. Goy, B. Nogara, E. Oudot, C. Parea, H. Poirier, Comte E. San Martino Di Valperga Maglione, G. Toeplitz, G. Zuccoli.

WHAT BANKS AND BANKERS ARE DOING

[Continued from page 430]

New branch banking rooms for the National Shawmut Bank, Boston, and alterations and additions to the buildings of the Natick (Mass.) Trust Company, Rochester (N. Y.) Trust Company, Savings Investment and Trust Company, East Orange, N. J., Sanford (Me) National Bank and Wellesley (Mass.) National Bank.

CALL FOR THE INVESTMENT BANKERS CONVENTION

RAY Morris, president of the Investment Bankers Association of America, issued the official call for the 1926 convention of the organization, to be held October 11 to 15 in Quebec, Canada. The Chateau Frontenac will be the official headquarters of the fifteenth annual convention, the announcement states, and for the first time in the history of the association, all guests and members will be housed under one roof. Arrangements are now being made for special transportation accommodations to carry the American bankers to Quebec, the plans calling for special de luxe trains running from New York and Chicago. Two specials will run from New York and three from Chicago, the specials from the latter city carrying the majority of the delegates from the Mississippi Valley and the West. Harry Rascovar is handling all reservations on the New York specials, assisting the committee consisting of Hearn W. Streat, chairman, of Blair & Co.; John Speed Elliott, of W. A. Harriman & Co., and Frank Walker, of Blyth, Witter & Co., in New York, and Donald De Golyer, of the Equitable Trust Company of New York, in Chicago.

The board of governors of the association has also made public the make-up of the regular ticket of officers and governors to be voted on at the Quebec convention. The slate, as prepared by the nominating committee, presents the name of Pliny Jewell, of Coffin & Burr, Inc., as the new president of the association. Among the new governors nominated for the term expiring in 1928 is Jerome J. Hanauer, member of the banking house of Kuhn, Loeb & Co. The nominations follow:

For president—Pliny Jewell, Coffin & Burr, Inc., Boston.

For vice-presidents—Joel E. Ferris, Ferris & Hardgrove, Spokane; Arthur H. Gilbert, Spencer Trask & Co., Chicago; Henry R. Hayes, Stone & Webster, Inc., New York City; Robert H. Moulton, R. H. Moulton & Co., Los Angeles; and B. A. Tompkins, Bankers Trust Company, New York City.

For secretary—Alden H. Little, 105 South La Salle Street, Chicago, Ill.

For treasurer—Frank M. Gordon, First Trust & Savings Bank, Chicago.

For governors (terms expiring 1927) —Charles R. Blyth, Blyth, Witter & Co., San Francisco; Sidney R. Small, Harris, Small & Co., Detroit; Charles D. Dickey, Brown Bros. & Co., Philadelphia. (Terms expiring 1928)—John E. Jardine, Wm. R. Staats Co., Los Angeles, Calif.; Jerome J. Hanauer, Kuhn, Loeb & Co., New York City; Kelton E. White, G. H. Walker & Co., St. Louis, Mo. (Terms expiring 1929.)—George V. Rotan, Neuhaus & Co., Houston; William J. Wardell, Bonbright & Co., Chicago; Robert R. Gordon, Gordon & Co., Pittsburgh; Frank D. Nicol, Nicol, Ford & Co., Detroit; Simon J. Block, Nelson, Cook & Co., Baltimore; J. L. Seybold, Wells-Dickey Co., Minneapolis; John Dane, Marine Bank & Trust Co., New Orleans; Henry T. Ferriss, First National Co., St. Louis; Benjamin H. Dibblee, E. H. Rollins & Sons, San Francisco; Willis K. Clark, George H. Burr, Conrad & Broom, Portland, Ore.

The closing session of the convention will be held on October 15 and immediately thereafter the S. S. "Saguenay," especially chartered for the occasion, will carry a large number of the delegates and guests on a trip up the famous Saguenay River, returning to Montreal late Sunday afternoon, October 17. The trip will include an inspection tour of the industrial developments on the Saguenay.

CENTRAL NATIONAL BANK HAS UNUSUAL GROWTH

GROWTH from $1,589,513.94 deposits on its opening day, January 28, 1926, to $5,482,174.46 on June 30 of this year is the unusual record of the Central National Bank of the City of New York, located at Broadway and Fortieth street. Total resources on June 30 were $9,-363,281.19.

STATE BANKERS CONVENTIONS

Kentucky—at Louisville, September 15-16.

Indiana — at Lafayette, September 21-22.

New Mexico—at Roswell, October 22-23.

Arizona—at Nogales, October 22-23.

Nebraska — at Lincoln, November 11-12.

OTHER CONVENTIONS

Savings Banks Assocation of Massachusetts—at Chatham, Mass., September 17-18.

Financial Advertisers' Association—at Detroit, Mich., September 20-23.

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.

Association of Bank Women—at Los Angeles, Calif., October 4-6.

Investment Bankers Association—at Quebec, Canada, October 11-15.

Morris Plan Bankers Association—at Asheville, N. C., October 18-20.

National Association of Mutual Savings Bank—at Philadelphia, Pa., October 18-22.

Canadian Bankers' Association—at Montreal, Canada, November 12.

Officers of the Dayton Savings Bank and Trust Company of Dayton, Ohio, seated at banquet tables outside the 22 inch circular "Donsteel" door leading into the bank's safe deposit vault. The dinner was given in connection with the bank's campaign to rent boxes in its new vault.

"SAFETY FIRST" EMPLOYES' CAMPAIGN RENTS 275 BOXES IN THREE WEEKS

A SAFETY deposit campaign put on by employes of the Dayton Savings Bank and Trust Company, of Dayton, Ohio, and featuring the slogan "safety first," rented 275 boxes in three weeks. Employes had as an incentive for their effort rewards of commissions and prizes for boxes rented.

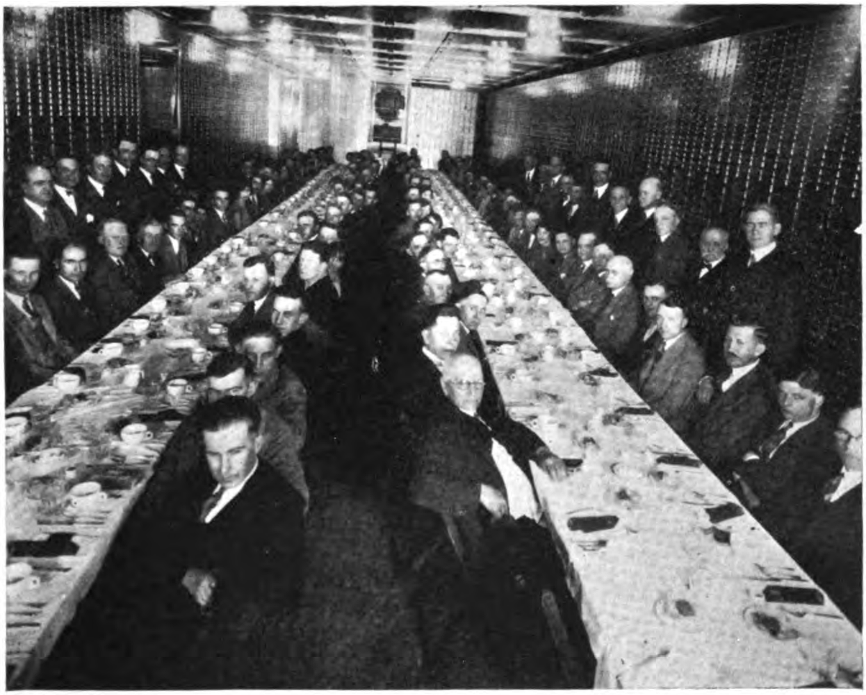
The simplicity of operation of the plan makes it available for use by other banks which desire to increase their safety box rentals by immediate and intensive work.

The completion of a new addition to the bank, in the basement of which was a huge safe deposit vault with several thousand boxes protected by a twenty-two inch circular "Donsteel" door, was the occasion for opening of the Ohio bank's campaign.

The vault measures 60 feet deep by 23 feet wide and contains 8000 boxes. It was opened for the first time on Monday, May 24, and that evening was the scene of a banquet given by the bank to its 142 employes. The guests were seated at long tables inside the vault, while the officers of the bank occupied tables just outside.

During the dinner the employes who were to participate in the campaign—the floor men and employes of the safe deposit department were not eligible—were divided into teams, and details of the contest were announced.

Boxes in the vault rent from $2 to



One hundred and forty-two employes of the Dayton Savings Bank and Trust Company seated within the bank's new safe deposit vault at a dinner given during the campaign to rent boxes.

$25, according to their size, and employes were offered a commission on each box rented, varying according to size from 50 cents for the $2 box to $3 for the highest priced.

In addition to the cash commissions, a week's vacation was offered to the employe standing highest in the number of box rentals, four days' to the second, three to the third, two to the fourth and one to the fifth. A prize to the winning team was a dinner given by W. E. McGervey, president of the bank.

"Safety First" cards were distributed to the contestants. One of these cards, with the contestant's name signed on it was given to each prospective customer, who, in turn, was to present it to the safety vault manager, when he rented a box, so that the correct contestant might be credited. Credit was given for new box renters, renewals not being counted.

Prior to the dinner each employe received a letter from the institution's president giving particulars of the contest, and presenting information which would assist the contestant in renting the boxes. The goal was set for 500 boxes, and thirty days was the time given to reach it.

The "safety" features of the vault were emphasized—its fire-proof, flood-proof and burglar-proof construction, with the patented "Donsteel" door, which can withstand the white hot flame of the oxy-acetylene torch; the two keys necessary to open each box, one held by the box renter and the other by the vault attendant; the electric vault alarm; and the armor-plate steel set in concrete and interwoven with a net work of steel bars of which the vault is made.

Prospective customers were listed as everyone who has valuable papers or articles, and suggestions were made as to what might or should be kept in a safety deposit box. The package vaults for bulkier articles were also mentioned as a part of the campaign.

The slight cost of this assurance of safety and the timeliness of the campaign—on account of the beginning of vacation trips—were also mentioned as factors in the rental of the boxes.

Announcing . . .

The First Course in Bank Advertising

By W. E. WALKER

Embodying the most successful bank business building plans used by banks everywhere during the past five years.

Who Is It For?

The Senior Officer who wants to be grounded in this subject and who wants available constantly hundreds of successful advertisements, letters, economy suggestions, displays and home made business building plans for his ready use.

The Advertising Manager who knows bank advertising but who wants a collection of the most successful bank advertising plans and copy used by average banks the country over during the past five years.

The Junior Officer working into the bank advertising and new business field will find this work invaluable.

What Does It Contain?

1. A 275 page book entitled "Bank Business Building" by W. E. Walker, covering every phase of bank advertising and new business work.
2. 24 separate assignments on bank advertising and new business methods, each one covering a separate topic and mailed out to subscribers at intervals of two weeks.
3. A year's subscription to "The Bankers Magazine" including "Banking Publicity"—a special section devoted to current bank advertising and new business activities.
4. The privilege for one year of sending in advertising material to us for expert criticism and suggestions.

See It for Yourself.

But you don't have to take our word for this. Simply sign and mail the coupon below and examine this material at your own desk and decide for yourself its practical usefulness to YOU.

ORDER BLANK

BANKERS PUBLISHING COMPANY,
71 Murray Street,
New York, N. Y.

You may send me on 10 days' approval the 24 assignments in the Walker Course in Bank Advertising and a copy of "Bank Business Building." If I decide to enroll for the course it is understood that the fee is $20 payable in cash in advance or $22.50 payable in five monthly instalments.

Name ....

Bank ....

Address ....

Some of the Topics Covered

The First Duty of the Advertising Manager.
Bank Advertising and Commercial Advertising.
Appropriation, Media, Bank Signature.
Appeals, Size of space, Type, Layouts.
Headlines and Copy Writing.
Timely Newspaper Advertising.
Localized Newspaper Advertising Campaign.
Classified Newspaper Advertising.
Bank Publicity, Practical Stories.
Usable Publicity Articles.
Home-Made Window Displays.
Bank Window Displays, Sources of Ideas.
Writing Letters that Attract Business.
The Theory of Direct Mail Advertising.
Secondary Direct Mail Media.
Direct Mail Advertising for Savings.
The Status of the Bank Magazine.
Direct Mail Advertising, Usable Plans.
Personal Solicitation in Building Business.
Creating Outside Contacts.
Banker-Farmer Co-operation.
Contests: Employes', Customers', Stockholders'.
Buying Advertising.
Advertising the Opening of a New Building.

BOOK REVIEWS AND NEW BOOKS

THE FEDERAL INTERMEDIATE CREDIT SYSTEM. By Claude L. Benner. N. Y.: The Macmillan Company. $2.50.

WHILE the western farmers are sending out an SOS for further governmental assistance, Claude L. Benner has been compiling an appraisal of the benefits or injuries incurred from the last legislative aid given to agriculture—the Agricultural Credits Act of 1923.

It is this act which caused the establishment of the Federal Intermediate Credit System, the purpose of which is to take care of credit needs of agriculture for loans running from six months to three years, called "intermediate" because of its position midway between the mortgage and the short-time credit needs.

Beginning with the economic roots of the problem, the writer traces the changing character of agriculture in the United States up to the present time, and shows how credit agencies have changed to keep in step.

He attempts to explain—and succeeds—the causes which gave rise to the passage of the 1923 act; to show the place and function that the new institutions established by it have in our financial system; and to show to what extent our rural banking practice is being modified by the operation of these newly created credit agencies.

The book is limited to the study of the Intermediate Credit System and makes no attempt to pass judgment either on the amendments to the Federal Reserve Act by agricultural credit legislation, or on the advisability of the government's owning and operating the Intermediate Credit Banks or giving them the power to issue tax exempt securities.

THE ROMANCE OF WORLD TRADE. By Alfred Pearce Dennis. N. Y.: Henry Ho't and Company. $4.

FOR the person who is willing to ferret it out, there is a story behind the most matter-of-fact and practical action. The brief announcement of the opening of a new bank tells nothing of the struggle of its president to reach his present position; the mention of its closing omits the story of a depositor who has lost his savings of a lifetime.

So it is in world trade. Thought of in terms of dollars, balances, rates of exchange and credit terms it makes no appeal save to those who are actually engaged in it; considered in its relation to the people for whom it is carried on, it makes a tale of interest to all.

It is in the latter way that Alfred Pearce Dennis, vice-chairman of the United States Tariff Commission and one time personal assistant to Herbert Hoover, has written "The Romance of World Trade."

The facts themselves, while told accurately from his own personal experience, are not the chief element of the book, the characteristic which makes it differ from other publications on the same subject; it is the humans who make these facts what they are, who make world commerce the "enigma" that Dr. Dennis calls it. The number of pounds of tobacco exported from Virginia yearly is not very interesting to the layman until the fact is made known to him that the Virginia tobacco grower himself smokes Egyptian or Turkish cigarettes. The position of the South as one of the greatest exporters of cotton attracts interest only when attention is also called to the amount of Egyptian cotton imported by the United States.

Even the World War takes on renewed interest when one learns that it was brought on by a local controversy over hogs in Serbia!

The book is written from a distinctly

American standpoint. Great Britain is discussed from the point of view of our rival in world trade, Italy considered as our customer. The position of other European countries in their relation to this country and to world trade are taken up in one of the most interesting chapters in the book, "European Trade Physiognamies."

European agricultural conditions are compared with those of the United States, the peasants with the American farmers. But the discussion is not limited to agriculture and foodstuffs The writer names the leading products and businesses of various countries and shows them to be the logical result of the race and temperament of the people of the nations.

Throughout the entire book the result of the war on trade is emphasized—the distrust of the European countries on future conditions which makes them buy only enough for present needs; the loss of man power with its accompanying lessening of production; the division of large estates among the former tenants and the lowering of farm production thereby; the impulse toward new business in the United States; and the gradual substitution of the Pacific for the Atlantic as the commercial highway of the world.

The book is written in a style easily understood and most readable, and especially so since each chapter is complete within itself.

NEW BOOKS

THE MIND OF THE MILLIONAIRE. By Albert William Atwood, N. Y.: Harper. $2.50.

WHY WE LIVE. By Amos Stote. N. Y.: Associated Advertising Clubs of the World. $2.

THE NEW DEMOCRACY. By Woodrow Wilson. Edited by Ray Stannard Baker and William E. Dodd. N. Y.: Harper. $8.

CHANGING CORN PRICES, or FINANCIAL PROBLEMS OF THE CORN BELT. By John L. Dillinger. Avoca, Iowa: Avoca Publishing Co. $2.

MONEY AND THE MONEY MARKET IN INDIA. By P. A. Wadia and G. N. Joshi. N. Y.: Macmillan. $8.40.

BANKING AND COMMERCIAL LAW

[Continued from page 401]

from loss. But while there may, perhaps, be cases in which a failure of the principal to audit an agent's books or make an investigation of his transactions will, under special circumstances, amount to contributory negligence, we think no such contributory negligence could be found on the facts in this case. In the first place, it is held, as a general rule, that a principal is under no duty to strangers to keep a watch over his agent's transactions in order to prevent unauthorized indorsements and misappropriations. However hard the burden of it may sometimes be for bankers, the general rule undoubtedly is that principals may rely upon bankers to avoid honoring indorsements by an agent to whom they have given not even apparent authority. People v. Bank of North America, 75 N. Y. 547, 561; Wizard Oil Co. v. United States Express Co., 265 Ill. 156, 161, 106, N. E. 623; Shepard & Morse Co. v. Eldridge, 171 Mass. 516, 528, 51 N. E. 9, 41 L. R. A. 617, 68 Am. St. Rep. 446; Cf. Andrews v. Clark, 72 Md. 396, 435 to 437. And irrespective of the lack of duty to the appellant, there would seem to be no sufficient ground for a finding of lack of ordinary care in the mere fact that no audit or investigation was made during the five months covered by the misappropriations here.

Judgment affirmed, with costs to the appellees.

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The BANKERS MAGAZINE

80TH YEAR

Motion Pictures — a New Public Utility?

What Counts Most in Attracting New Customers?

Features of A. B. A. Convention

Financial Advertisers' Meeting

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THE BANKERS MAGAZINE

ESTABLISHED 1846 ELMER H. YOUNGMAN, *Editor*

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Editorial Comment

OUR POLICY TOWARD EUROPE

FROM a London banker, temporarily in New York, some views regarding the attitude of the United States toward Europe have been obtained that are worthy of careful consideration. This gentleman, who would not consent to have his name or banking connections indicated, stated that while there had been numerous professions in America of a desire to help Europe, here is what we had actually done.

First, while the American President was a leader in having the League of Nations covenant made a part of the Treaty of Versailles, the United States rejected both the League and the Treaty.

Second, the United States, at a time when emigration would have provided a valuable outlet from Europe, has greatly restricted its immigration policy, thus largely closing down this source of relief.

Third, prohibition in the United States has cut off a market for the export of wines from France and Italy to the United States.

Fourth, the United States has refused to accept the proposal of Great Britain for a mutual cancelation of Allied debts.

Fifth, the tariff policy of the United States has greatly restricted the market for European goods.

In regard especially to our immigration policy and prohibition, the banker whose views are given did not question our right to deal with these matters as we choose, nor did he wish to be understood as expressing any opinion as to the merits of these policies. He was dealing with them purely from the standpoint of their effect upon Europe.

These indictments against America's European policy were framed by a friendly hand, and are therefore entitled to all the greater weight. At the same time, it must be plain that they refer only to what this country has not done with respect to Europe, altogether leaving out of account what has been done.

In the first place, Europe was saved from appalling starvation after the close of the war, largely through American generosity.

In the second place, the reparations tangle was never straightened out until a practicable plan was devised by American experts and put into operation by American help.

In the third place, the Disarmament Conference at Washington pointed surely to the path which Europe must follow if that part of the world is ever to have peace.

Finally, American investments in Europe since the Armistice have aided in the work of economic reconstruction and helped restore confidence.

These are no slight contributions to have been made to Europe by a young country whose own domestic problems are sufficient to engage its capital and energies.

Nevertheless, the objections of the London banker are not lightly to be dismissed. Many Americans who do not favor the League of Nations believe that we should have a closer contact with European affairs than we now have. They go further, and say that if we expect our advocacy of land disarmament to be accepted in Europe, we must jointly engage with the nations of Europe in taking up the responsibility which this policy will impose. These Americans see in our loans to Europe a source of endless political complications. Aside from this, they believe that it is our duty to realize that American interests are now bound up with the interests of Europe.

Our immigration policy has undoubtedly reacted unfavorably upon Europe, but the reasons which prompted it have seemed sufficient to our own people.

The same may perhaps be said respecting prohibition. Congress might have exempted foreign liquors from the operations of the law, thus permitting their importation for consumption, but not for sale. The American brewers, distillers and wine-makers would not have been satisfied with a law that shut out their products and admitted those from other countries.

As to debt cancelation, that subject has been exhaustively discussed in these pages. This point alone will bear reiteration: financial and economic experts are almost unanimous in believing that the time will come when these debts must be pared down, if not canceled outright. But this phase of the subject will not be considered until all the debtor countries show a disposition to pay.

Our tariff policy is criticised for restricting the market for European goods. In view of the immense sums due to this country from abroad, it is difficult to see how America can retain its present high tariff. We have an opportunity of becoming a great investing nation, but to do so we shall have to show a greater willingness to receive the products of other nations than we have yet displayed. The real question is, can we do this without jeopardy to our domestic industries? This is an important question, and one to which the bankers and economists of the United States should give prompt attention.

The criticisms voiced by the London banker serve a useful purpose in calling the attention of Americans to what was expected of them by Europe, and wherein these expectations have failed. It is hoped that what has been said above may also enlighten Europe respecting some of the services America has rendered in lightening the terrible burden which the Great War left upon the shoulders of the world.

GIVE GOLD A CHANCE

BEFORE seeking to stabilize prices by adopting the St. Vitus's dance gold dollar, which has been proposed, it might be well to give gold a real opportunity to fulfil the functions for which as a money medium it is designed. We can hardly hold gold responsible for inflation, and for the deflation that must follow, until gold is made the sole bank reserve and also enters more largely into circulation than it does at present.

Aside from the Federal Reserve Banks, there is practically no requirement that gold shall be held as a banking reserve, and this requirement is compulsory only to the extent of the 40 per cent. reserve against the issue of Federal Reserve notes. Other reserves of the Federal Reserve Banks may be in gold or lawful money.

Substantially it is true that the banks of the United States, with aggregate resources of some $65,000,000,000, may carry on their stupendous credit operations with no gold reserve whatever in their vaults, at least so far as the law is concerned. No wonder there is inflation, followed by deflation, with accompanying instability of the price level!

Generally the state laws are quite elastic in regard to the character of the banking reserves. Anything that looks like money will answer, as a rule—Federal Reserve notes, national bank notes, etc. But it is significant that, so far as the percentage of reserve required the state laws are more stringent than the provisions of the Federal Reserve Act; that is state banks, in some places, are required to keep a larger reserve than are the national bank members of the Federal Reserve System. In general, the clearing houses in the larger cities follow the reserve requirements of the Federal Reserve Act. These requirements not only do not call for any gold to be held in the legal reserves of the great credit manufacturing banks of the country, but on the contrary they actually forbid it! All of the legal reserves of member banks must be lent to the Federal Reserve Bank of the district, which in turn can lend this reserve out again, less the 33-1/3 per cent. of it which the Federal Reserve Bank must keep in hand!

It is preposterous, so long as such practices exist, to talk of gold inflation. If all classes of banks were required to hold actual instead of theoretical reserves, in their own vaults, a leading source of inflation would be stopped. Furthermore, the percentage of required reserves, especially in the great financial centers of the country, ought to be raised to at least 25 per cent.; and these reserves should be in gold, held in the vaults of the banks, not loaned out to some other bank.

If all the other forms of money except gold and gold certificates and the subsidiary silver and minor coins were withdrawn from circulation, and Federal Reserve notes made obligations of the issuing banks, and not of the United States Government, the currency would be greatly simplified and improved and the task of making the banking reserves conform to sound principles made much easier.

Out of a total circulation of $4,870,000,000, we have $370,000,000 in silver dollars, $291,000,000 in United States notes, and $660,000,000 in national bank notes. Gold certificates in circulation exceed $1,074,000,000. These are equivalent to the gold itself, for they merely represent warehouse receipts for an amount of gold equal to their face. They are the only kind of paper which should be available as bank reserves, though as a matter of fact, silver coin and certificates, national bank notes, United States notes and Federal Reserve notes are so used by the state banks (national banks have no legal reserves except in the shape of loans to Federal Reserve Banks.)

For circulation purposes purely it may be admitted that all these heterogeneous forms of currency are amply secured; but they are not secured by an equivalent of gold as are the gold certificates, and their retirement from circulation may be the only way in which we shall ever be able to get a gold credit basis for all our banking reserves.

Without discussing the desirability of "stabilizing" prices, or expressing any opinion as to the influence of money and credit upon the price level, it may be said with some degree of certainty that the credit situation would tend to greater stability, and that the process of inflation would be more difficult, if gold instead of credit itself were made the only banking reserve of the country. Before we condemn gold for its inflationary tendencies, we should at least give gold a chance. This has not been done.

THE TARIFF

WHEN a candidate for the Presidency, in 1880, General Winfield S. Hancock was subjected to considerable ridicule by declaring the tariff "a local question." Probably this observation of the distinguished soldier was less naive than it seemed. Local opinion on the tariff has much changed since Hancock's time. The South looks more complacently upon protection than heretofore, owing to the development of its manufactures, while quite lately the western farmers are said to demand a high tariff on products similar to those they produce. In recent political campaigns the tariff has played but little part; but it is said now that if the Republicans revise the tariff it will be revised upward. No doubt, the theory upon which this determination is based is plausible enough; the country is prosperous under the present high tariff, therefore more protection would lead to further prosperity. True enough, the theory leaves out of account the question as to whether the country is prosperous because of protection or in spite of it. Nor does it necessarily follow, if the present protective duties are really conducive to prosperity, that more protection would bring greater prosperity. Medicine in moderate doses may be prophylactic where an overdose would be fatal.

The tariff question is bound to be of increasing importance to this country in the immediate future. Farmers have been long complaining of the high prices they must pay for manufactured articles that are protected, while themselves having to sell their products in a free market. Relief might have been afforded by abolishing or lowering the duties on these articles. But that is not the way it is to be done. Protection is to be applied to farm products as well as to manufactured articles. Seeing that this country is a large exporter of farm products, it is difficult to see just how the farmers are to be helped by protective duties on farm products. At any rate, the plan is to use as a remedy the hair of the biting dog.

There is another angle of the tariff question that must be considered. It relates to the changed financial position of this country; we are no longer debtors on international account but creditors, and if we continue in this position, must annually have coming to us several hundred million dollars in the shape of interest and principal of foreign loans. How are we to receive such payments? For a time the necessity of receiving them at all may be postponed; in other words, we can keep on reinvesting these sums abroad. But that does not really solve the problem, but merely delays its solution. We can take payment in insurance, banking and shipping services, and in tourists' expenditures, and to an even greater extent we can receive from our debtors raw materials, like rubber, etc., which we do not produce. Should, however, all these forms of payment not be sufficient, what are we going to do? Unless we are willing to lower the tariff, and to receive more foreign goods, the alternative will be to stop lending to other countries. We can do that, of course, but it will hinder the development of those countries and check our own exports. It will furthermore deprive American capital of a legitimate source of employment and profit. By tending to curtail our export of agricultural products it will render the position of the farmer more unsatisfactory. Foreign countries, deprived of exchanging their goods for American farm products, must necessarily buy less of them. In fact, our falling exports to Europe indicate that this influence is already at work.

The real question to consider in the discussion of the tariff is this: Can the existing protective duties be reduced without endangering our domestic industries and without impairing the living standards prevailing in this country? It is not, so far as workers in the industries are concerned, a question of money wages merely, for these might be greatly lowered without real loss provided the cost of living correspondingly fell.

There are those who think we shall be ruined by receiving goods from abroad to discharge the interest and principal of our foreign loans. The individual who invests and thus commands goods and services is enriched, not impoverished. Does a different rule apply to nations?

It seems desirable, if this country is to keep on making large loans abroad, that the tariff question should receive fresh consideration in view of the new duties the United States has assumed as a dispenser of credit. Although our foreign loans should be of benefit to the countries receiving them—otherwise they cannot benefit the lender—in considering the tariff question we shall doubtless look at the matter from the American viewpoint, and particularly as to the effects a reduction of the present duties would have on our manufacturing and wages. If under the present circumstances the prosperity and economic strength of the United States would be enhanced by a change in our tariff policy, such change should be made after careful study of all the factors involved. In discussing the matter most of the old arguments respecting protection and free trade may be discarded, for the matter presents itself in an entirely new aspect. We are for the first time a great creditor nation, and this fact carries with it new and serious implications, greater in fact than our economists and statesmen seem to have realized.

In 1880 the tariff might have been, as General Hancock said, a local question. It is a very live international question now.

AS TO "SHYLOCK"

SEEING that Europe has decided to upset the notion that "Uncle Sam" is a rather easy-going, soft-hearted and sentimental old fellow, and that he is, as a matter of fact, a hard-fisted miserly rascal, best typified by the character of "Shylock," it behooves Americans to give some attention to this new appraisement of their national figure, and to find out just what sort of being this "Shylock" was, anyway.

It goes without saying that such knowledge as we have of him is derived from a play by one William Shakespeare, a Warwickshire deer-stealer, and later a supernumerary actor at a theater in London. There is a good deal of testimony to the effect that this Shakespeare was a fellow of the baser sort, though it is admitted he wrote some fairly good poetry. As for his plays, they have been surpassed by a twentieth century author, G. Bernard Shaw, who tells us that his plays are better than those of Shakepeare.

Much might be said further in regard to the character of Shakespeare. It will be enough to say that he has left evidence in his sonnets of his predilection for a "dark lady," and that his lack of affection for his own wife is shown by the fact that, although rich, he remembered her in his will by leaving her only his second best bed.

Very likely, in Shakespeare's earlier struggles in London, he borrowed money of the Jews, and having to pay it back —according to ideas then in vogue before debt cancelation had achieved its present popularity—he had no high opinion of these Jew money-lenders as a class. In estimating the correctness of his portraiture of the character of "Shylock," it is essential to keep Shakespeare's antecedents in mind.

In the first place, "Shylock" was a Jew. He tells us so himself. But, on the score of ancestry, that was much in his favor. While the ancestors of this Shakespeare were dwelling in forests, eating acorns, and killing one another with clubs, "Shylock's" forbears had already reached a high state of civilization. Englishmen might boast of "coming over" with William the Conqueror, but the Jew proudly pointed to his descent from the Most-High. So much on the score of ancestry.

Now as to "Shylock's" business. He was a money-lender. That implies that he had saved something, and had funds to lend to the impecunious. The latter wastrels and high-livers hated him, as the borrower usually hates the lender. One of these spendthrifts, named "Bassanio," had a hankering after a beautiful heiress in the neighboring town of Belmont, which was only twenty miles from Venice; but still he did not have money enough to make a show on this trip, and hinted as much to his friend "Antonio," a speculative merchant who had several ships at sea but no ready money or collateral acceptable at the Bank of Venice. But "Antonio" was willing to put up the money for "Bassanio's" quest of the heiress provided by racking his credit he could get the 3000 ducats required for the enterprise. The fact that "Antonio" was short of funds need occasion no surprise, for apparently his chief occupation consisted in being sad without any real cause.

In the emergency "Bassanio" found a Jew named "Shylock" who was willing to advance the money needed for the Belmont adventure, but who demanded an unusual form of security—a pound of "Antonio's" flesh, to be cut nearest his heart. After stoutly proclaiming that he would not accept the money on these terms, "Bassanio" took it, first being assured by "Antonio" that before the bond matured he would have money enough in hand to discharge the debt several times.

In this way "Antonio" placed himself in "Shylock's" power. The malignancy displayed by the latter, though explicable, is indefensible. He hated "Antonio" because of his religion and for the further reason that he lent out money gratis, thus interfering with "Shylock's" business. But if the money-lender's hatred is unjustifiable, what shall be said of the childlike simplicity of "Antonio," who was accounted a man of business? Or what respect can one have for the heiress-hunter, the dashing "Bassanio," who did not even have money enough to finance his enterprise, and who let his friend put his life in jeopardy to procure the money?

The same crowd who were out to get "Shylock's" money, stole his daughter, who took along with her a bag of ducats and some jewels, including a ring. A remark made by "Shylock" in connection with the loss of this ring shows him to have been something more than a miserly money-lender. He cherished a tender sentiment for his wife. The ring was given him by "Leah" when he was a bachelor, and he would not have given it "for a wilderness of monkeys."

As the affair of the loan turned out, "Antonio" defaulted, and was brought into court by "Shylock." Friends of "Antonio" offered to pay, but as the bond was declared forfeited, "Shylock" stood on his right to exact the penalty. He was offered twice the sum due, but remained obdurate. In fact, he had declared, before the trial, that if every ducat in 6000 ducats were in six parts, and every part a ducat, he would not have them. He wanted revenge rather than money. So sentence was adjudged against "Antonio." But when it came to carrying it out, the counsel for the defense warned "Shylock" that he was prevented by law from shedding a drop of Christian blood. He was further admonished that he must cut out exactly a pound of flesh, and no more. Failing to observe these provisions, his goods and life were forfeited.

This may have been good stage law, but one would suppose that if it was lawful to award "Shylock" a pound of a man's flesh, to be cut from his living body, it would be lawful to do the thing necessary to obtain it. That "Shylock" himself must be responsible for the precise carrying out of the court's decree, belongs also in the realm of stage law. But by these legal quibbles, "Shylock" was balked of his revenge, and lost his money.

There are a few points in this celebrated case worthy of note. The most important of these is "Shylock's" refusal to accept the money due him. He was also deaf to the suggestion that he should forego a moiety of the principal. When it was suggested that a proper regard for the life of "Antonio" made it incumbent on "Shylock" to have some surgeon by, lest the defaulter should bleed to death, he merely replied that he could find no such stipulation in the bond.

Here is the way the parallel between "Shylock" and "Uncle Sam" figures out:

"Shylock" wanted revenge; "Uncle Sam" wants only a fulfilment of contracts, and has no thought of revenge.

"Shylock" refused to remit a moiety of the principal of "Antonio's" debt; "Uncle Sam" has willingly remitted a large part of all the debts due him.

"Shylock" had no concern whether or not the exaction of the penalty was fatal to his debtor; "Uncle Sam" has had most careful regard to the effect of payment upon the welfare of his debtors.

From this brief study of the character of "Shylock" it will be seen that there is not the slightest analogy between him and "Uncle Sam." Those who institute

[Continued on page 484]

MOTION PICTURES—A NEW PUBLIC UTILITY ?

By J. Homer Platten

THE bankers of America are the natural custodians of the financial integrity of the nation and it is therefore entirely logical that they are now taking a keen interest in the present day developments within an industry which is this year celebrating its thirtieth anniversary. In 1896, America gave birth to a new enterprise, which was founded upon the joint genius of Thomas A. Edison and George Eastman, inventors, respectively, of the motion picture camera and the flexible celluloid ribbon we know as motion picture film. Today, the industry, which is both an art and a business, is rated by Government authorities as the fourth largest in the United States. In 1910, there were about 9000 motion picture theaters in this country while today the total is approximately 20,000. Aside from this increase of more than 100 per cent. in numbers, everyone has, of course, observed the radical changes which have taken place with respect to the improvement in construction, size and equipment of the motion picture theater. The modern photoplay house is a miracle of convenience, luxury and comfort, the larger ones ranging in capacity from two to five thousand seats. In the United States alone, the total seating capacity today is approximately 18,000,000.

With an estimated average weekly attendance at motion picture theaters of over 100,000,000 men, women and children, it will appear that this new thing, the motion picture, plays a large part in the daily life and habits of a nation whose latest roll-call mustered 110,000,000. With the attendance figure in mind and remembering that the steady growth

Airplane view of the Metro-Goldwyn-Mayer studios on the Pacific Coast, with settings for several different pictures shown in the background.

Airplane view of Universal City, California.

of the motion picture industry during the last thirty years has been due to its inherent qualities of, first, satisfying the universal demand for entertainment at a price within the reach of all; second, manufacturing a product which is retailed on a cash basis; and third, possessing a market for its product which is the nearest approach to maximum steadiness that the history of commercial enterprise has known to date, it will be conceded by the most conservatively-minded banker that here, in fact, is an industry of vast importance and significance in our economic fabric.

That these basic qualities of the motion picture are responsible for the stability of the industry may be quickly grasped when reflection will show that in times of general business depression the box-office of the picture theater is the last business barometer to show the unfavorable economic condition, while it is the first enterprise to participate in the increased returns attendant upon normal or especially prosperous times. The consumption of bread, sugar and salt is no more impregnable to fluctuation than the steady flow of dimes and quarters through the wicket of the motion picture box office.

HOW THE INDUSTRY HAS WON ITS PLACE

For a comparatively young industry, the motion picture business has clearly demonstrated its ability to co-ordinate its activities and conduct its business along orderly lines. Its outstanding position has been achieved through no wizardry, but by intelligent adaptation of the same commercial and financial policies which have characterized other leading American industries. In essence, the business has consistently and successfully offered a product to consumers that has been of a quality which has uniformly met, and frequently been somewhat ahead of, the current artistic tastes of the public. The history of the silver screen is constantly recording advances in entertainment and esthetic values. Again, this product has been merchandized through intensive advertising of a kind which is conceded to be an enterprising and productive contribution to present day American advertising. This exploitation of motion pictures has likewise been backed up by efficient sales organizations which compare favorably with those of other analagous industries.

In point of number of people and sums of money involved, the motion picture industry is potentially one of the largest in the world. In some respects, it is entirely different from any other industry in that each picture depends upon individuals and personalities. There can be no "factory" methods applied to picture-making. Man power is the element that counts in production. The distribution and exhibition of the finished article may be, and is, highly organized and in a sense currently standardized to meet the public taste. But inevitably it is the picture itself, economically produced and intelligently molded to satisfy the public appetite, that is the foundation upon which is based the welfare of the industry. So it is, and so it will be, and in that fact there is assurance that the growth and development of the motion picture will never be stifled through lack

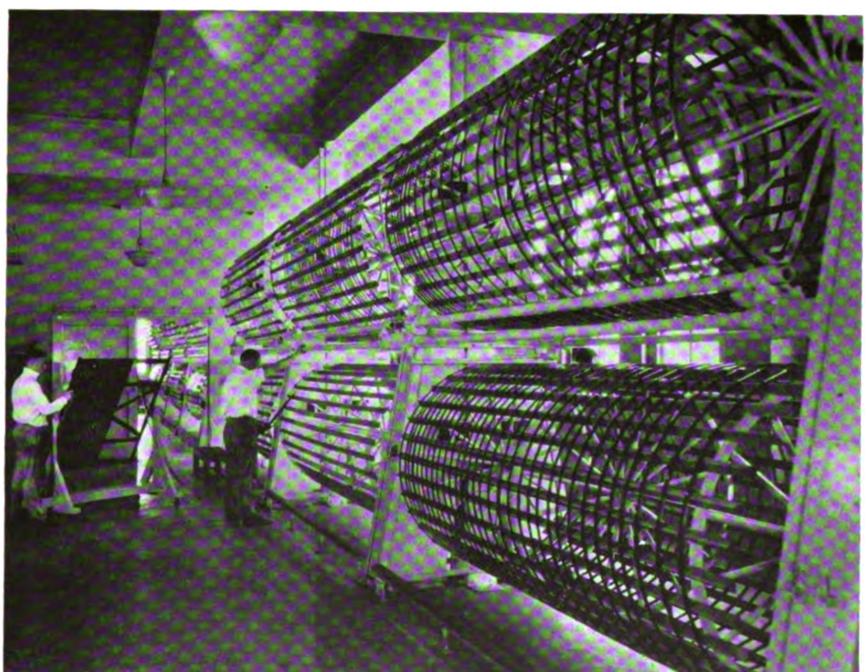
THE MOVIE DOLLAR

How each dollar goes into production costs:

Actors' salaries	$ .25
Directors, cameramen and assistants	.10
Scenarios and stories	.10
Sets (manufactured)	.19
Studio overhead (including management, cutting, assembling and titling of the film)	.20
Costumes, gowns, etc.	.03
Locations (rent of grounds and properties and transportation)	.08
Raw film	.05
Total	$1.00

How each dollar is spent and the profit:

Negative cost	$ .40
Distribution (American and foreign)	.30
Cost of positives	.10
Administration and taxes	.05
Profit	.15
Total	$1.00



Film drying rooms in a modern film laboratory. The negative drum room is in the foreground and the positive drum room in the background. On these huge drums the developed film is dried by filtered air and made ready for release.

of raw material or competition. Brains cannot be "cornered" like so much wheat. Ideas cannot be strangled and die a-borning. Today's obscure and unknown director may be tomorrow's "genius" if he, perchance, be fired with a theme of unusual but universal appeal to the great mass of movie-goers.

IN THE PIONEER DAYS

In the pioneer days, the creative instinct of those who produced the pictures suffered the same limitations of equipment, finances and merchandising machinery which hampered and made largely a matter of luck the successful translation of the creations of the Wright brothers, Marconi and the radio into the dollars and cents which make possible further development and refinement of things the world wants. There is, however, this vital distinction to be noted between the early days of the automobile and the motion picture, and in this distinction lies the answer to the more rapid and orderly growth of the motion picture industry. The automobile was considered a luxury and required expert operators and horse-drawn vehicles were in common use and constituted the severest kind of competition. On the other hand, motion pictures could be viewed for a nickel or a dime, could be enjoyed by everyone regardless of age or degree of literacy and, too, the picture had and still has no competition from other forms of amusement. Small wonder, then, that this new enterprise effortlessly grew from a geyser to a Niagara without any great attention being devoted to any phase of its commercial activities except the making of the pictures. "I have a picture," said the producer. "I'll rent it," said the exhibitor. "I'll pay cash to see it," said the picture patron—and there was the cycle complete, with the producer in a position to go forward with his making of another picture. Those producers who made the best pictures—best in the sense that they pleased the most people—gradually accumulated out of earnings the wherewithal to finance more ambitious productions.

Competition between the producers of pictures was keen, is keen, and so their efforts were continuously directed toward making a better and still better product which, of course, still found eager audiences not only in America, but throughout the world. It soon came about that the producers saw that economies and

Long Island studios of the Famous Players-Lasky Corp.

Warner Bros. West Coast studios.

more intensive merchandising of their pictures could be obtained by maintaining their own sales organizations and establishing direct contact with the exhibitors. And so it was that the successful producers became distributors as well. During this period of the industry's growth, there came into being the large producing-distributing corporations which are known to the public generally today. The business was passing through an evolution from casualness to definiteness in every branch of its activities and this evolution was the natural offspring of the competition which grew apace as the demand for pictures became more and more insistent.

It is almost needless to reflect that this experience of the motion picture business parallels in many ways that of the oil, automotive, railroad, and packing industries. And yet, it was not until 1922, some twenty-four years from its beginnings, that the leading motion picture producers and distributors themselves appreciated the vast importance, economically and socially, of this great new public enterprise that was their heritage. Fast following upon this realization came the inevitable and typically American determination to seek ways and means to leave nothing undone which might in any way hasten the orderly stabilization of the enterprise and likewise a decision also to lay plans for the further development and expansion of its influence and sphere of action. The motion picture's birthright was essentially that of entertaining the leisure hours of the people but it became apparent that, in addition to this asset, the motion picture was proving to be a great teacher and a molder of taste and opinion and, lastly, a force for goodwill development among the peoples of the earth through its universal language of pictures, portraying to each nation the lives and habits of all others and showing to them the oneness of human nature wherever hearts beat.

REPRESENTATIVE GROUP ORGANIZED

The early months of 1922 saw the incorporation of the Motion Picture Producers and Distributors of America, which was composed of the representative producers and distributors who thus grouped themselves to do together those things in which they were mutually but non-competitively interested. In seeking one who might counsel them and direct their efforts along these lines, this group obtained the services of Will H. Hays, then Postmaster-General of the United States. The purpose of this association, which comprises 85 per cent. of the total production efforts of the industry, was clearly stated in its articles of incorporation as follows. "The object for which the association is created is to foster the common interests of those engaged in the motion picture industry by establishing and maintaining the highest possible moral and artistic standards of motion picture production, by developing the educational as well as the entertainment value and the general usefulness of the motion picture, by diffusing accurate and reliable information with reference to the industry and by reforming abuses relative to the industry."

That was the platform, written down and backed up, it may be noted, by no inconsiderable contribution of money for the translation of the purpose into performance.

The association was, in fact, to function as a clearing house on policy matters relating to the industry and its spokesman, Will Hays, sounded the keynote in the words, "Confidence and Cooperation." With its board of directors consisting of the executive heads of the various member-companies, policies could be initiated and put into effect simultaneously with no loss of time or motion. The significance of this movement will be clear to the banking interests of the country.

With this association in being, the bankers had at once a responsible headquarters to whom they might go for accurate information in financing certain phases of the industry's operations and a place where they could register their views along constructive lines. It meant, in effect, that the loose ends were to be gathered up and the haphazard methods of pioneer days discarded, that improvements would be made in the executive, manufacturing and merchandising policies of these large corporations which were expending vast sums each year in placing their products on the screens of the motion picture theaters of the world.

The success of the industry, all knew, depended upon its ability to please the public and thus win its support at the box-office. Public good will meant everything to this effort and the industry deliberately set about the task of creating a supply of pictures that would in every way satisfy. To accomplish this, the producers had to do two things: first, establish more direct contact with the public and, second, improve their methods of production, distribution and exhibition. With the assistance of the press and the nationally organized groups representing American opinion, the first was well on the way when the second problem of internal adjustment began to yield to intelligent treatment.

BETTERING STUDIO ACTIVITIES

The bulk of the production being centered in California, there, too, were located the production problems of the industry and so there was organized a sister-association in Hollywood, the Association of Motion Picture Producers of California, with concurrent aims and purposes in all general matters but specifically concerned with the betterment of studio activities. A survey of the situation disclosed that charges of extravagance and waste in production methods were in some measure well-founded though exaggerated, by reason of faulty application of comparative standards germane only to strictly industrial enterprises, which the motion picture is not, being both a business and an art and therefore requiring an elastic and ever-changing measuring rule as to its expenditures.

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INDEPENDENT VS. BRANCH BANKS

By Osborn Fort Hevener

THIS year's crop of mergers brings with it the problem of meeting public opinion in such a way as to favorably mold ideas and impressions concerning big banks. For, one may ask, is the day of the tiny, highly personalized bank disappearing in the wake of big business, especially about the metropolitan centers of the East and the Middle West, producing ultimately a financial machine of huge proportions; or will the little bank survive, bolstered by the votes of those small town business men who decry the passing of the intimate touch?

The president of a thriving trust company, located in a live eastern city, commented recently on reports that his institution stood fair to lose 10 per cent. of deposits of a string of banks it had just purchased, through defections of customers from the ranks of the formerly independent small banks. "Contrarily, in sporadic instances only have we been able to verify any losses in deposits due to individual feeling that the personal contact has gone; certainly these remote cases are no barometer of general opinion, for, far from a decline in deposit volume, we have noted an actual increase of business in certain of our affiliated banks, and have reason to believe that we shall be able to hold, in others, not alone the past level of deposits, but in time shall surpass those totals that would have been built up by the separate units, if maintained individually."

This serves to throw some light on an interesting situation for it can be accepted somewhat as a criterion, inasmuch as the institution mentioned has taken unto its bosom a half dozen banks all located in entirely distinct communities, where the local bank has been considered as indigenous to its particular group of patrons, who might easily be expected to rear up at the thought of losing an intimacy with an officer who was raised in the district and who was undoubtedly hailed always by some friendly nickname.

That executives of the large merging institutions are conscious of the factor of local pride in a community-bred bank, is clearly indicated in the phraseology of letters of announcement mailed to customers of newly-acquired organizations. For example, an excerpt from a neat type announcement signed by the president of a Philadelphia institution will do: "Depositors of the former .... Trust Company will be greeted in the future, as before, by the same official and clerical personnel and all the opportunities for service on the part of our officers in the .... office will continue to be available to you. Remaining intact, the staff of the.......... office, with its intimate knowledge of the banking problems of the community, will be enabled to administer to an even wider circle of customers, through the medium of greater resources and broader facilities."

THE STATUS OF THE BRANCH OFFICE DEPOSITOR

Brushing aside for the time being, any consideration of the more fundamental or administrative concerns of the corporate banking structure enlarged through consolidation, let us analyze the status of a depositor in the branch office of a large institution.

In rare instances do his contacts change, for it is patent that the best interests of the bank as a whole are served in manning a new branch with the same executive force that operated the formerly independent bank, Thus, Henry Jones, the local merchant, continues to take his banking matters up with Jim Smith, assistant cashier, though he may find Smith working on a slightly stricter credit policy, or Jones may be asked to clean up his demand notes occasionally, even though he renew them the next day, or Smith may gently hint that the local business man keep a higher average balance, commensurate with his loans, or he may discourage a frequent discounting of petty accounts receivable. Not that the inference to be drawn should impute a loosely run system in the days when the bank stood by itself; but it is quite unlikely that the executive committee of a large institution would look with entire approval upon the custom-worn methods of a bank not stepping to "big time." Here, there and everywhere are things to be mended: true the parent bank might come across some ideas worthy of adoption, but in the main, the passage of time would reveal a "child learning to walk like its mother."

None of the factors mentioned, should, however, militate against the weal of the customer, and, in the long run the machinery of the once little bank would undoubtedly be speeded up to the point where the depositor is receiving the benefit of swifter collections, a much broader correspondent service and the advantage of credit information that alone can be gathered by a complete staff.

Certainly, in at least one respect, the sizable customer of the new branch office gains something that he could not have possibly possessed before—and that is a credit line in improved ratio. In the instance of a prosperous manufacturing concern with a plant situated locally because of more propitious labor conditions and enjoying a world-wide market for its product and merchandising it through sales offices scattered everywhere, why naturally the formerly small institution, with a capital and surplus of, say, $750,000 could not compete with bigger banks affording lines of a half million and up and consequently lost an opportunity to bid for a nice account. However, credit line limits jump in big leaps when small institutions go under the wing, brand new fields are opened, and more than likely, old credit files are brought up to date. In the case of small banks purchased and affiliated—a method made necessary in certain states until more favorable legislation is passed—a good "lead" held by officers can be developed through the parent bank.

THE ELEMENT OF CONVENIENCE

Too, in metropolitan centers, customers of banks maintaining branch offices often reap the benefit of a more convenient location to make their deposits. Where formerly the depositor might have followed a roundabout course in depositing in his bank a mile away, for example, he may wake some fine day to discover that his bank has a new office around the corner. Here he may deposit or withdraw as he pleases, and take his credit matters up with officials in the branch.

Altogether, the customer of the old independent bank who finds himself a depositor in the branch office of a mammoth institution, cannot be said to lose any fundamental advantage, for, with his contacts carefully maintained by all wise executives, he retains what he had before and, in addition, gains the many broader services and facilities that only the larger banks can render.

WHY MERGERS?

Banking authorities are of the opinion that the merger movement especially among the smaller country banks, will continue. Statistics show that in the last five years nearly 2000 institutions have combined and while the reasons actuating each merger are a separate study in every case, nevertheless there are certain broad underlying causes.

City banks have as an objective greater net earnings by handling a larger

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SECURING CO-OPERATION OF STOCKHOLDERS

By C. F. Hamsher

PROBABLY there have been as many articles written on "How to Get the Stockholder to Work for the Bank" as on any other subject of banking. Managing officers have always found it difficult to get the serious co-operation of their stockholders. In the days of the organization of the bank it is always thought advisable to scatter the stock as widely as possible in order to have a large circle of depositors and potential business getters. Too frequently, however, stockholders develop into individuals interested only in their dividend checks, and cannot be depended upon to seek new business for their bank. They overlook practical opportunities to help the profit account of their own institutions.

The First National Bank of Los Gatos, California, recently sent a series of six letters to its stockholders—one letter every fifteen days, and found these letters were productive of some tangible results. Several stockholders came in and mentioned friends or neighbors who were planning trips abroad. Through these leads the bank sold steamship tickets. Several stockholders, who had been buying their bonds from bond salesmen, or a regular bond house or the bond department of some city bank, were led to place their orders through their own institution. The letters used follow:

April 5, 1926.

To our Stockholders:

Some years ago there was published by a bank in St. Louis a little booklet entitled "The Stockholder and His Bank."

It cited many and various ways in which a stockholder might help to build up his bank and concluded with the following paragraph:

"That is what a stockholder can do for his bank. There are many reasons why he should do it—first of all, because it is *his* bank. He would not fail to put the full force of his influence behind the business which is under his personal direction. He realizes the importance of patronage to that business; and he leaves no stone unturned in obtaining it. He loses no opportunity to give his friends and acquaintances a favorable impress of *that* business—because it is his own. Yet, in a lesser degree, the bank is his business too. He owns a part of it. If it profits, he profits."

In a series of several letters to be sent out at regular periods soon we are going to point out some of the ways that *you* as a shareholder can help *this* bank.

The intent of the letters is not to be faultfinding, but we hope that they will be so phrased as to make each shareholder feel his own obligation to his bank.

Please watch for the letters and read them when they come.

Sincerely yours,
C. F. Hamsher, President.

April 20, 1926.

To our Stockholders:

How would you feel if you were the president or cashier or managing officer of a bank and knew that some of your shareholders kept a portion of their deposit accounts with your *nearest competitor*, or for that matter with any other bank or building and loan association? Right off the bat you may say that you would not mind it, but I believe you would.

Any money of shareholders, or for that matter, of any of the members of their families, which is not on deposit with the bank in which the shareholder is a partner, is preventing the bank from making the full amount of profit it should.

Why encourage profits for some other institution in which a shareholder is *not* interested when the shareholder is incidentally affecting the value of his own stock—that is, it will not increase as much in value as it would if it had a larger volume of business.

You may not think it makes any difference, but just the same it "hurts," and I am speaking from experience similar to the above, for we know some of our shareholders are not giving us the maximum amount of business they should. Building up a bank is more or less of a slow development, and we are always seeking encouragement—tangible encouragement, in the form of more deposits to make larger investments to produce greater profits.

Yours for a Bigger Bank,
C. F. HAMSHER, President.

May 5, 1926.

To our Stockholders:

How would you feel if you were the president or cashier or managing officer of a bank and you had shareholders, who, from time to time, invested their surplus funds in bonds, but did *not* buy them through the bank in which they were interested, but from bond salesmen for other banks or bond houses?

Any purchaser of *any* bond can *at anytime* buy through this bank any bond on the market or being brought out at just exactly the same price that he can from the bond salesman for the bond house or bond department of a bank.

On new issues of bonds which come out we can always get a small brokerage allowed *only* to banks for such bonds as we may order.

This does not cost the buyer anything for it is purely an arrangement of the bond houses *with banks* and the bond buyer cannot get this banker's discount so as to reduce the cost of his bond.

During 1925 there were approximately $46,000 worth of bonds bought by shareholders of this bank that we know of which were *not* bought through us, and if they had been we would have added approximately $113.75 to our profit account, which would have amounted to 25 cents per share on the net earnings. This is not a large figure, but it is worth conserving.

Just as on the purchase of bonds can the bank make a small brokerage, so also can we frequently make a small brokerage on the purchase of stocks for our clients.

We will appreciate it if shareholders will *make* their investments *through* this bank and also *advise their friends* to buy through us. It all will add to the value of your stock.

Yours for More Profits,
C. F. HAMSHER, President.

May 20, 1926.

To our Stockholders:

How would you feel if you were the president or cashier or managing officer of a bank and some of your shareholders never turned a hand to help you get new business, as for example, giving us the name of a prospective newcomer into your immediate vicinity and your nearest competitor first got after the newcomer and secured his account?

Shareholders can assist us greatly in not only *recommending* the service of this bank to a newcomer, but in *giving us names* of prospective newcomers just as soon as they learn of their expected arrival.

We will appreciate the co-operation of our shareholders in this connection

Yours for a Better Bank,
C. F. HAMSHER, President.

June 5, 1926.

To our Stockholders:

How would you feel if you were the president or cashier or managing officer of a bank which was constantly and continuously advertising the many ways in which it served the public if you had shareholders who did *not* read your advertising and were not aware of all the many things which you could do for the clients of the bank?

Some months ago this bank made an arrangement with one of the large steamship companies rendering world travel service so that we may sell tickets from Los Gatos to any part of the world and return—incidentally with a small profit to ourselves.

Recently one of our shareholders arranged for his tickets for a vacation tour through an agency other than that of this bank, and had we been able to have handled the transaction it would have meant $260 profit for the bank—better than 50 cents per share.

A few days ago one of our shareholders came in and told us of a party contemplating a trip to Europe, and we are endeavoring to secure the sale of tickets to him. If we do it will add considerable to the income of the bank for 1926.

Wont you make it a point to put us in touch with those who are considering travel abroad and *suggest to them* that they make their arrangements through us?

Incidentally one of the chief by-products and absolute necessities of travel is the use of travelers' cheques. We sell travelers cheques of the American Express Company and the American Bankers Association. We will appreciate it if shareholders will *suggest* to travelers and when contemplating traveling themselves to buy their travelers checks through this bank.

Yours for Increased Profits,
C. F. HAMSHER, President.

Another method that the bank uses to encourage co-operation with its shareholders is the occasion of its annual stock-

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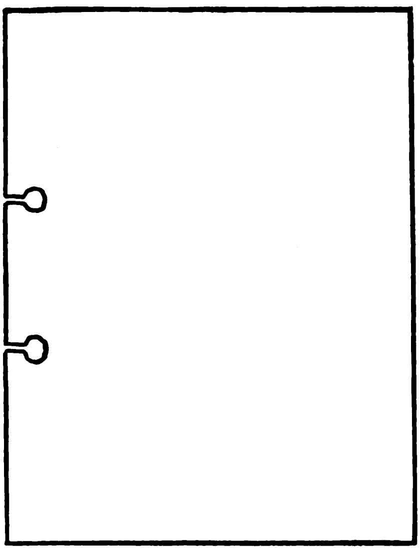
PLANNING THE CREDIT FILE

By M. E. Robertson

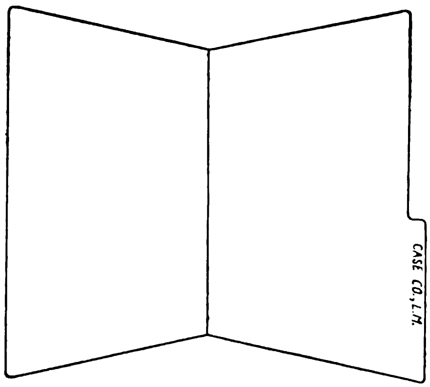
THE evolution of the credit file has been a series of rapid changes over a brief space of time. The day is not so long past when the credit file was contained in the mind of the individual. Business had a more local aspect and the merchant and banker extended credit on the basis of knowledge which they had of the applicant. Upon the death of the individual, the records ceased. These features, together with the broadening of business, prompted the inauguration of what is today known as the credit file. It has grown from a primitive stage when it was nothing more than a sheet of paper or notation made in



Example "C". A sheet punched with slotted punch so that it may be readily removed and replaced without disturbing other sheets.

a small note book, to a point where now in many instances it is a complete, highly organized and developed record, requiring for its maintenance the time of experienced, good-salaried employes.

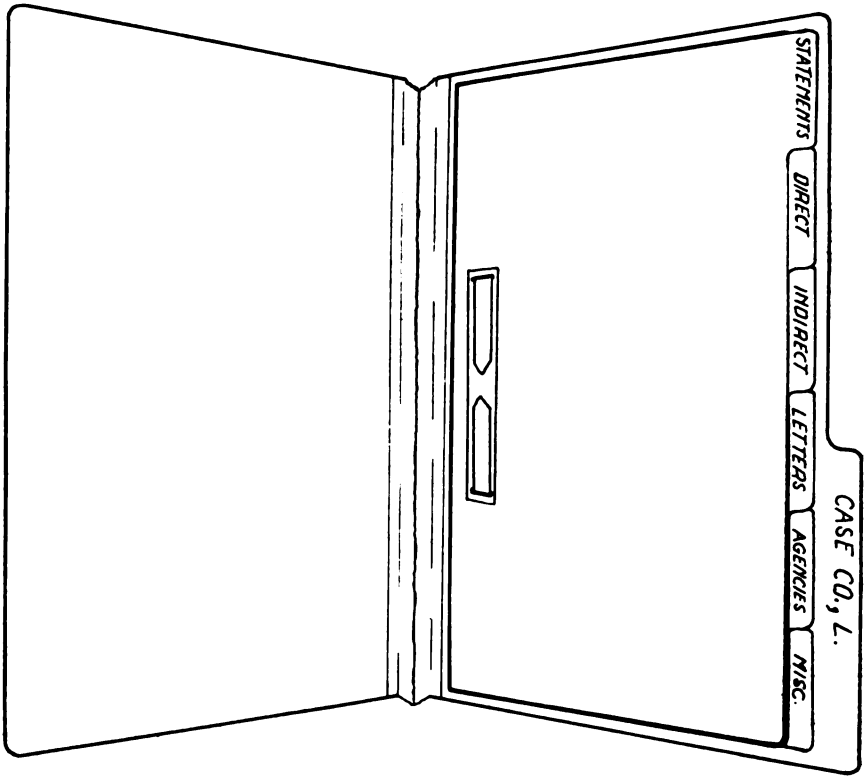
In the larger banks of the country, particularly in New York City, the credit



Example "A". A simple file of the non-expansion type, suitable for a small bank.

file has been developed to a stage where a considerable number of printed forms are required. The folder itself is a rather expensive set-up and to maintain it are required investigators, stenographers, file clerks, people to put statements on comparison forms, analysts, employes familiar with accounts to mark newspapers and magazines, people to clip the papers and paste the clippings in the file, etc. Some of the New York banks not only clip the New York papers, but get papers from a number of other cities, such as Chicago, Boston, St. Louis, Philadelphia, Cleveland and Atlanta, and read them all for news for the credit file.

It is difficult to figure the cost of the average credit file to a New York bank, because many of these files are not active and are used in connection with names investigated for customers but the credit file of a customer probably costs a bank

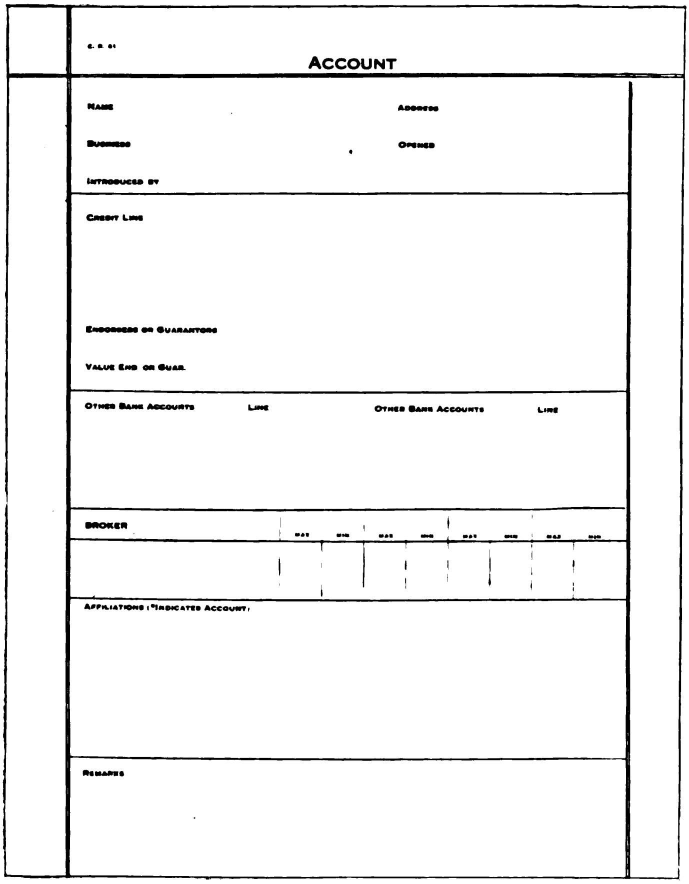


Example "B". A file of the expansion type, made of heavy press board, and having sub-divisions for the various kinds and classes of information.

from $25 to $40 per year to maintain. This is considering the time and material consumed in making periodical investigations, the investigators' and stenographers' time, stationery, postage, putting statements on forms, analyzing the credit, clipping newspapers, answering verbal and mail inquiries, filing, follow-up systems, statistical records, etc. In many banks the credit file is not so highly developed and the fact that it is not, is often warranted. The smaller country bank would not be justified in having anything elaborate, but neither is it justified in not having any sort of a credit file. It should at least maintain a plain, simple sort of file which, in the absence of the principal loaning officer, could be used as a guide by others left in charge.

A simple credit file need not be costly and yet can be very valuable. The type of folder now quite generally in use is the folder large enough to contain letterhead size paper without folding. It varies in construction from heavy pressboard to the lighter weight manila. A simple file of the non-expansion type, suitable for a small bank where the files do not receive hard use and the number of sheets to be contained in it are not numerous, is shown in example "A".

A more elaborate file is the type shown in example "B". This is of heavy pressboard, is of the expansion type and has subdivisions for the various kinds and classes of information. This is the type of file most frequently found in the large banks of the country. Because of its type of construction it will hold a large amount of information and also will stand hard use. The subdivisions or indexed section separators are of a fairly



Example "D". Top sheet of credit file giving summary of facts and revealing general status of account.

heavy weight paper. The information is held in the file by means of a metal clip which is of soft metal, permitting it to be worked back and forth without breaking off.

The various sheets containing information to be clipped in this type of file are punched by means of a special punch. In order that a sheet may be taken out without necessitating the removal of the various sheets on top of it, a slotted type of punch is frequently used. This punches the paper as shown in example "C". While an advantage is found in its use, in some instances it will perhaps be found difficult, in the case of a bulky file, to hold all the information tightly in the file. Therefore in the case of information which is seldom to be removed from the file (sheets which will not require typewritten notations from time to time) it is better to use a punch making a round hole without the slot.

SIX SUBDIVISIONS NEEDED

In the type "B" file it is possible to make subdivisions to suit the needs of the particular bank. Six subdivisions should be all that are necessary in most instances and it would not possibly be amiss to endeavor to limit them to this number. Six subdivisions which meet the usual needs are as follows:

ACCOUNT

Name:—
Street:—
City:—
Business:—

Date Opened:—

Line of Credit:—Own ______________
B/R or T/A ______________

Endorsements:—

Other Bank Accounts:—

Remarks:—

Example "E". Simplified form of top sheet for use in smaller banks.

1. Statements (financial statements and correspondence relating thereto).

2. Direct information (typewritten write-ups of various interviews, etc.).

3. Indirect information (write-ups of investigations and other information received where it is not in printed form to be clipped in one of the other sections).

4. Correspondence (correspondence with the customer which is pertinent to the credit or of interest to the credit officer. Other letters are sent to the general files of the bank. Some banks make a practice of condensing all letters to mere notations and making such notations on the direct information sheets).

5. Agencies (all agency reports received. Because of the narrow margin on most agency reports and the lack of uniformity with which they are prepared it is generally found necessary to paste them to a sheet of paper in the agency section. By folding the reports and pasting the first one about one third of the way up from the bottom of the paper and along the top edge of the report it is possible to always have the newest report on top. Each subsequent report is pasted just along the top edge and immediately above the preceding report).

6. Miscellaneous (newspaper clippings, photographs, stock or bond prospectus, indentures, etc.).

CR. 63 Corporations					
ASSETS					
Cash					
Notes and Bills Receivable (unendorsed)					
Trade Acceptances					
Accounts Receivable (unendorsed)					
Merchandise { finished and in process					
Merchandise { raw material					
Miscellaneous Items—Current					
Other Notes and Accounts Receivable					
Real Estate and Buildings					
Machinery and Fixtures					
Investments					
Miscellaneous Items—Slow					
TOTAL					
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					
Bonded Debt (when due					
Real Estate Mortgages (when due					
Miscellaneous Items—Slow					
Total Liabilities					
Reserves					
Capital Stock					
Surplus and Undivided Profit (or Deficit)					
TOTAL					
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					
*See notation on reverse side.					

Example "F". Statement comparison form, condensing information on account.

TOP SHEET ADVANTAGEOUS

On the top of a credit file it is usual and a splendid thing to have what is known as a top sheet. This is in the case of credit files on accounts for in other cases it will not prove so advantageous. This top sheet contains a summary of certain facts and reveals at a glance the general status of the account. A form should be designed to suit the needs of the particular bank and while the form shown in example "D" is a complete style it is perhaps rather elaborate for many of the smaller banks and a top sheet more on the style of example "E" would be appropriate.

In the smaller country banks this top sheet of the nature shown in example "E", the comparison form, the financial statements furnished by the borrower, some dictations of conversations and one or two letters will often constitute the complete credit file. The top sheet shows at a glance the name of the customer, his line of business, how long he has been with the bank, the line of credit and who arranged it, the basis of same, other banking connections and remarks which would reflect briefly the opinion of the loaning officer. This sheet may be kept up to date merely in pencil. It proves an excellent guide to the situation at a glance and if before the officer when in conversation with the customer enables

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WHAT COUNTS MOST IN ATTRACTING NEW CUSTOMERS?

By Allan F. Wright

WHAT is it that a person wants to know about a bank before feeling free to make the institution "his bank?" What factors will outweigh others when the prospect applies his business psychology to the judgment of all the banks in a community? And how can a banker best present his appeal so that every potentially profitable customer will recognize the advantages offered through a connection with *his* bank?

These questions are uppermost in the mind of the average banker whose one engrossing thought is to keep his deposit line constantly on the gain. Newspaper advertising, personal solicitation, satisfied customers, correspondence, folders, pamphlets and other specialties are only a few of the means of deposit-getting. Some bank men believe there is great potency in one method or another while others say it is idle to speculate on the value of any of these factors since they are all very much alike in importance.

Nevertheless, the conclusion cannot be escaped that there *are* certain things which count more than others in gaining and holding people as permanent bank depositors. Certain elements, qualities, arguments or "selling points," common to all banks, which seem to strike a prospect's fancy and prompt him to entrust his money to the institution. It must be weighed sensibly with every one that back of all the dealings that a depositor has had with any certain bank lies *one* fact yet more primal which must have given that particular bank the deciding vote, some way or manner in which the bank succeeded in making its presence felt upon the prospect beyond that of its competitors.

Banks are the servants of the people and sooner or later everybody transacts business with them. Just what is it, then, that does influence a person to initially patronize one bank rather than another? It is perfectly possible that many people select a particular bank without really knowing why. But even if the reason may never have occurred to them so far as any evidence goes to show, we can rest absolutely assured that there *is* a reason. It may have been due to one single factor or it may have resulted from a combination of several features.

These unexplained factors of a bank's personality which seem to reach out and touch a prospect the most profoundly—the specific elements in a bank's organization that bring in the most customers—were recently made the subject of an investigation by the author. He was mightily concerned to know to just what the bank depositors attached the most importance in picking their banks and why in each instance they were prompted to patronize that particular institution. He had been secretly cherishing the suspicion that many bankers were barking up the wrong tree in their efforts at business-getting. So he began to cross-question his friends. He asked them what bank they patronized and why, of all the banks they knew, they were influenced to select that one. He was especially curious to know why they might have severed any former banking connection. Next he prepared and sent a list of some fifty letters addressed to bankers in all parts of the United States and certain sections of Canada containing the following questions. Each banker was asked to state his opinions according to his experience.

What factors do you consider have had the greatest influence in attracting new depositors to your bank, irrespective of those gained through personal solicitation? Is your chief source of new patrons through a long line of satisfied customers or do you attribute them to judicious newspaper or other forms of advertising?

Do you believe the public makes its choice of a banking institution simply on the grounds of convenience? Or does the personal touch bear the greatest relation to business-getting?

How many people do you believe carefully investigate the safety and soundness of a bank before doing business with it? Do you think they give much heed to the financial statements published in the newspapers? Or is the fact that a bank is one of the oldest in town a primary reason for its gaining new customers?

One circumstance which gave the results of this investigation an unusual interest was the fact that in many cases the author was able to obtain spontaneous, unprejudiced replies. It seems that many people who would not herald anything derogatory about a bank are quick to communicate their grievances by implication to their immediate circle of friends.

FRIENDSHIPS THE STRONGEST ASSET

To comprehend it all in few words, the investigation demonstrated beyond all possibility of contradiction that the srongest asset of a bank is its friendships. The best possible advertisement that a bank can have is a satisfied patron. Fully two-thirds of the people interviewed said that they acted upon the recommendation of friends in establishing their banking connections, and of the replies received from the bankers themselves, nearly four-fifths expressed the view that their greatest business-pulling factor was their line of satisfied customers. The percentage of new business attributed to this source by them varied from 50 to 75 per cent.

Very much to the point are the words of a Los Angeles banker who said: "It has been our experience and observation, as well as knowledge proved to us through analyses made by other banking houses, that the greatest line of new customers comes from satisfied customers of the bank who recommend it to their friends and acquaintances, particularly when asked as to a good banking house. I believe it safe to say that approximately 70 per cent. of our new business is sent by satisfied customers."

People find it hard to get enthusiastic about a cold, lifeless, machine-like institution. But if a bank can make its customers feel that they are dealing with men of human sympathy, understanding and consideration, men who are not only approachable but glad to be approached, then those customers instinctively become live and valuable mediums for the circulation of those facts. A man who is well-treated and satisfied not only becomes a permanent and profitable customer but a "walking advertisement" as well.

Perhaps the most surprising thing about the whole investigation was the exceptionally small number of people who apparently gave much thought to the financial responsibility of the management of an institution before making up their minds to do business with it. An Illinois banker estimated the number at 1 per cent. and the exceptions to this rule proved so few as to be negligible.

To all seeming, the security of the bank and the strength of the personnel of the officers and directors, which banks so frequently emphasize in their advertising, is a consideration of little importance in attracting new depositors. From this one might hazard the conjecture that the bank whose advertising is devoted principally to the publication of matter relating to the security of deposits is putting the saddle on the wrong horse. "In the early days of our history," a Philadelphia banker wrote me, "it seemed to us that the most important factors in getting new business were our location and the prestige given by our board of directors and officers. Since that time we can attribute the largest percentage of our new business to the recommendations of our friends and customers, who, of course, we endeavor to please with speedy, accurate and reliable as well as courteous service." There is no question but that a person wants to feel assured that everything is on the square before entrusting his money to a bank but that factor in itself no longer appears to be the most powerful argument.

SECURITY AND STRENGTH TAKEN FOR GRANTED

The clear upshot of it all is that people seem to take it for granted that they may have reasonable confidence in the general honesty of the management of any well-located, prosperous-looking bank. It seems to be generally understood that all banks are safe. Consequently, the survey disclosed that none of the people interviewed had selected their bank because of what they had read in a published financial statement. As one banker in Trenton, N. J., explained it, "The customer, nowadays, due to the confidence which has been justifiedly reposed in financial institutions in general, requires only that the bank take care of his needs promptly and accurately and grant him the necessary line of credit with a minimum of effort. Actual check and experience has conclusively shown that not one depositor in a thousand is interested in the basic strength of his institution as made public several times each year in the newspapers except among competing banks for comparison. Condensed statements in attractive form when placed on the counters never seem to move."

The reason for this general lack of interest in a bank's published statement of condition may be assigned to the inability of the average person to analyze a bank statement and determine for his own part the soundness of an institution entirely outside his daily experience and knowledge. Many banks have endeavored to make this easy by publishing statements out of the regular form in order that the rank and file of depositors may better understand what the different items of capital, surplus, deposits, etc., mean. A Michigan banker told me that while his customers seemed to pay no attention to the printed financial statements he did find that a pyramid of figures showing the growth of the bank over a period of years did attract considerable attention, probably because its message was apparent and easily understood.

LOCATION AS A FACTOR

Convenience and the location of the bank building seem to play an important part in attracting new customers but the writer noticed a widespread tendency on the part of bankers to view those factors as secondary considerations. It is necessary to give people the proper treatment afterward or they will not remain long. A banker in Cedar Rapids, Iowa, whose banking home had a central location stated that he did know of several cases among newcomers to the city where many did not know one bank from another and opened an account with some bank that seemed convenient, for no other reason. Another banker, this one a Canadian banker in Toronto, came pretty close to hitting the nail on the head by saying that while convenience and a well-located bank building might occasionally play a large part, he did not believe that they could win in the long run if the other factors mentioned were adverse. The conveniently located bank has an advantage over its competitors that is not to be underestimated, but any inadequacy of certain other more important features in the bank's organization is pretty certain to render it of only relative and temporary worth.

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A NEW PLAN FOR EUROPEAN TRAVEL

BY EDWARD A. FILENE

AS a business man and a student of economic conditions here and abroad, the belief has grown upon the writer that in the next few years the United States will face the keenest commercial competition in its history. We are seeking to build up foreign trade for the profit that is in it and also as an outlet for our surplus production. We have made considerable headway since the World War, partly because other nations have been disorganized commercially. They are now regaining their position and we shall find it harder to make progress, to say nothing of holding our own.

Another fact obvious to all is that the permanent growth of international trade depends upon mutual understanding and tolerance. Constant suspicions and fears, race hatreds and prejudices, not only hinder peaceful pursuits but threaten a recurrence of wars and political disturbances.

These are the thoughts that underlie the writer's interest in plans for an interchange of visits between Americans and residents of the various European nations. The foreign policies of the Government of the United States now have and will continue to have a large part in international relations. They are generally a reflection of the feelings of the mass of American voters.

If we are to maintain a position of world leadership in trade and politics, the citizens of our country must know and understand those of Europe, their customs, their problems and their methods of thought. This can best be brought about by personal contacts. Americans should visit Europe, and Europeans should visit the United States. At present, due to the wider spread of prosperity, it is possible for our people to go abroad in large numbers, but I hope that in the next few years many more visitors will come to our shores.

Aside from these broader aspects of travel, the individual will benefit from trips to Europe in his personal outlook upon life and his observations of foreign methods of business. He will be a better employe or official by reason of them.

For several years the writer has been interested in ways to make it possible for Americans of moderate means, who constitute most of our population, to go

EDWARD A. FILENE

President Wm. Filene's Sons Company, Boston.

to Europe. As a result of many conferences with steamship and railroad officials, tourist agencies and hotel organizations, satisfactory plans have now been concluded.

INEXPENSIVE TOURS OFFERED

Inclusive tours are being offered by several steamship companies permitting trips of three or four weeks to England, France, Germany, Italy, Scandinavia and other European countries at a total cost of only $200 to $250. When it is realized that this means a saving of about 60 cents a day for a year, there is reason to believe that hundreds of thousands of Americans will take advantage of the opportunity to make the long-awaited visit to Europe. With most of them it has been the dream of a life-time. Now it will cost no more than a trip to the seashore or the mountains.

Tours at these rates can be obtained only in the fall and spring, when the ship lines, railroads and hotels can afford to make concessions to increase the volume of business in slack months, but in many respects travel at these periods is more satisfactory than during the summer as it avoids both crowding and heat.

At present the low rate tours are available only in the tourist cabins of the trans-Atlantic liners, and on a few "hotel" ships where there are no class distinctions. The tourist cabins are rated as third class, but they are entirely separate from the immigrant quarters. They are clean and comfortable and the food is good. Many thousands of students and teachers have tried them in the last three years and have been satisfied.

The principal objection to the tourist cabin has been the class demarcation. The average Amercan it is found, objects as much to being separated from first and and second class passengers as to poor food or uncomfortable accommodations. The answers to a questionnaire sent out some time ago showed an overwhelming sentiment in favor of "hotel" ships. By this term is meant passenger vessels on which every tourist has the freedom of all decks and public rooms.

It is the writer's belief that, as this movement in the fall and spring months develops, giving the steamship companies a heavy volume of traffic throughout the year, the ship lines will convert more and more of their vessels into "hotel" liners and will build others especially for this traffic.

The most important point, however, is that those who are able to get away from their work for three or four weeks in September, October, November or in one of the spring months, can now go abroad at a cost which they have previously considered out of the question.

The usual vacation period for most industries is, of course, during the summer, while the low cost tours will be available at a different time. If the plan is to be a success on a large scale many of our leading industries must make provision for their employes to leave in off-seasons. In order to develop sentiment on this point, a questionnaire was sent to 1300 trade associations and other national organizations several months ago. Approximately 300 offered their co-operation and expressed the belief that the plan was entirely feasible. They offered to distribute a total of 30,000 circulars to member companies, thus reaching about one-fourth of the large employers of the country.

Further steps are now being taken to secure the active help of these enterprises. This does not mean that an effort will be made to reverse the vacation habits of the country, but merely that a certain number of employes will be allowed leaves of absence in the fall and spring.

Various companies will probably adopt different systems. Some will permit a certain percentage of their staffs to go at this period for three or four weeks. These may be chosen from among those who have made the best records, have been with the organization a specified time, have been selected through contests, or in other ways. In some instances the employes will combine the vacations of two years in one or will take the extra two weeks without pay. In other cases employers will share the expense or will continue full pay for the entire absence.

THE BANKER IN BUSINESS

By Richard W. Saunders

As business enterprises become greater in size, the relationship of the banker to them appears to be steadily increasing. Large concerns can readily use additional funds at seasonal periods and one of the reasons why banks exist is to supply such funds. The concern must then be able to satisfy the banker that it is entitled to such consideration and the voluminous credit files of the banks are evidence of the detail into which the bank will go to satisfy itself.

There was a time when the business man rather resented this investigation. While he felt that the motive was a proper one and might even accept the banker's suggestions as an evidence of conservative influence, there was often the feeling that he knew his own business better than the banker could know it.

Nowadays the feeling seems quite different. Large concerns so conduct their business and arrange their accounting statements, that the questions can be readily answered and smaller concerns confer with and take the advise of bankers almost as a matter or course. To have a well known and well equipped firm of bankers or bank act as financial advisor has become quite the rule for business concerns.

What the eminent author Lecky says of morals is also true of financial progress: "He who seeks to improve the moral condition of mankind has two, and only two, ways of accomplishing his end. The first is, to make it more and more the interest of each to conform to that of the others; the second is, to dispel the ignorance which prevents men from seeing their true interest."

Standardization of business principles and accounting methods and the enlightenment of borrowers regarding their financial plans have for years been part of the bank's contribution to our financial stability. While this has become more true than ever, their task is made easier, not only by the higher standards reached in many industries, but also by the chambers of commerce and similar associations that are now working along the same lines.

There has been much discussion of late regarding banker influence by means of stock issues. The resultant publicity showed certain dangers which are being brought under control. It may be almost safe to assume, however, that the banker is more than willing that each industry or business should remain in the hands of those men who have shown their ability to handle them successfully. There is nothing in particular to be gained by shouldering the responsibility of operation. What the banker, and in this case we must include with him the public, which has invested largely at his instigation, really wants is a successful business with resulting profits. It is only when these are endangered that the banker's power becomes a factor and the history of corporations in the past is evidence that this power is used conservatively.

An old book of philosophy bears the title, "The Guide for the Perplexed," and, for financial problems, that might well be the name for the banker. Each man must solve his own problems but as one goes to a physician for bodily ills, so can the banker be regarded as a qualified consultant in financial difficulties. The tremendous growth of modern industrialism, largely through his guidance, is a good indication of his ability to give a right decision.

BANKING AND COMMERCIAL LAW

Holder of Altered Check Allowed to Enforce It. Sweeney Drilling Co. v. Adams & Co., Court of Civil Appeals of Texas, 284 S. W. Rep. 337.

THIS action was brought on a check drawn by the defendant, Sweeney Drilling Company, and payable to the order of W. H. Dyer. Dyer indorsed it and transferred it for value to the plaintiff, Adams & Co. The defendant interposed the defense that the check was given originally for a gambling debt, that it was wrongfully altered prior to its transfer to the plaintiff and that it was, therefore, unenforceable. On behalf of the defendant it was testified that the check was originally drawn upon the Ranger State Bank and that, before it was transferred to the plaintiff, the drawee's name was changed to read People's State Bank. It appeared that, before the plaintiff presented the check to the People's State Bank the defendant had stopped payment and the bank, therefore, refused to honor it.

The Negotiable Instruments Law provides that a holder in due course of an altered instrument may enforce it against prior parties in accordance with its original tenor. Under this provision of the statute it was held that the plaintiff was entitled to enforce it as a check upon the Ranger State Bank, the original drawee. It was further held that the plaintiff was under no obligation to present it to the Ranger State Bank in order to fix the liability of the defendant. The Negotiable Instruments Law provides that, where an instrument specifies a place of payment, presentment at that place is proper. Under this provision it was held that the presentment at the People's State Bank, the bank named as drawee when the plaintiff received the check, was sufficient.

Suit by Adams & Co., against the Sweeney Drilling Company and others. Judgment for plaintiff against defendant named and another, and defendant Sweeney Drilling Company appeals. Affirmed.

OPINION

RIDGELL, J. This suit was brought by appellee in the county court at law of Eastland county, Tex., against R. E. Sweeney, W. H. Dyer, and the Sweeney Drilling Company, a corporation, seeking to recover of all said parties a check alleged to have been executed by the Sweeney Drilling Company and R. E. Sweeney in the sum of $400, drawn on the People's State Bank of Ranger, Tex., and payable to the order of W. H. Dyer, which said check was negotiated to plaintiff below by the said W. H. Dyer for the sum of $400, and which plaintiff below alleged to own and hold in due course. Defendant W. H. Dyer did not file an answer, although he was duly served with citation, but the defendants R. E. Sweeney and Sweeney Drilling Company filed an answer demurring generally and pleading alteration and forgery and that said check was given for a gambling debt and therefore unenforceable. Plaintiff below filed a supplemental petition in answer to defendant's first amended original petition, alleging that defendants did not come into court with clean hands, and further alleging that if said check was changed or altered as alleged by defendants, that plaintiff had no notice thereof, and had no notice of any fact or act sufficient to put plaintiff upon inquiry, and that if said check was changed or altered as alleged by defendants, the said defendants are still liable thereon to plaintiff according to its orig-

inal tenor, as provided by article 6001—124 of Vernon's Ann. Civ. St. Supp. 1922, of the State of Texas; that said check came into the hands of plaintiff in due course for a valuable consideration, and without notice on part of plaintiff as to any alleged infirmities or alterations alleged by defendants, and that it said check was altered as alleged, plaintiffs should recover according to its original tenor. Appellants answered by general demurrer and plea of alteration and forgery. On January 30, 1925, the cause was tried before the court without a jury, and judgment was rendered in favor of appellees against Sweeney Drilling Company, a corporation, as maker or drawer of said check, and against W. H. Dyer as indorser of said check, but not against R. E. Sweeney individually. Motion for new trial by Sweeney Drilling Company was filed January 31, 1925, and was overruled by the court February 12, 1925. Appellant duly excepted and gave notice of appeal, and within the proper time and manner perfected its appeal to this court.

There are but two assignments of error which we believe require discussion in disposing of this appeal. By appellants' tenth and eleventh assignments of error they assert that the court erred in holding that the plaintiff was a holder in due course, and makes the proposition that an alteration of a check consisting in a change of the name of the bank on which the check is drawn is a material alteration. He further contends that, it being a material alteration, Adams & Co. could not invoke the doctrine of innocent holder for value.

On the trial, R. E. Sweeney testified that he drew this check originally upon the Ranger State Bank, payable to W. H. Dyer, and that before same was cashed by Adams & Co. the check was changed so as to read People's State Bank, instead of Ranger State Bank, and Sweeney testified that he did not authorize or know of the change. Sweeney also testified that he did not do any business with the Ranger State Bank, but did his business with the People's State Bank, and that within a few hours after the check was given to Dyer that Sweeney went to the People's State Bank and instructed them not to cash the check. Testimony shows that Adams & Co. cashed the check in due course, and paid $400 for same and without any notice of vice in the check or transaction. The circumstances at least show that Sweeney evidently knew that the check had been changed, because he went to the People's State Bank and notified them not to cash it, but did not go to the Ranger State Bank, and the court was justified in concluding that the check was drawn on the People's State Bank.

Anyhow, an alteration of a check consisting in the name of the bank on which said check was drawn being changed would not be such an alteration as to affect and prejudice the rights of a holder of said check in due course and prevent payment according to its original tenor.

Article 6001—124 of Vernon's Annotated Civil Statutes, Supplement 1922, of the State of Texas, provides as follows:

"Where a negotiable instrument is materially altered without the assent of all parties liable thereon, it is avoided, except as against a party who has himself made, authorized or assented to the alteration, and subsequent indorsers.

"But when an instrument has been materially altered and is in the hands of a holder in due course, not a party to the alteration, he may enforce payment thereof according to its original tenor."

It will be seen that, under the above statutory provision, even though an alteration has been made in a negotiable instrument, a holder of said altered check in due course who is not a party to said alteration may enforce payment thereof according to its original tenor. Metropolitan Loan Co. v. Reeves (Tex. Civ. App.) 236 S. W. 762.

The trial court filed findings of fact and conclusions of law, and held that the check when negotiated was regular on its face, and that Adams & Co. had no notice that said check was given for a gambling debt and did not know that payment had been stopped, and found that the check was drawn on the People's State Bank.

It is sufficient to say that there is evidence to sustain the findings of fact found by the court, and said assignments will therefore be overruled.

The various assignments complaining of the judgment of the court and asserting that appellee was not entitled to recover for the reason that no demand for payment was made by Adams & Co. on the Ranger State Bank are not sustained, but overruled. This check, when received by Adams & Co., being drawn on the People's State Bank, the holder was under no obligation to present said check to any other bank in order to fix liability of the drawer of said check. Article 6001—73 of the N. I. A., provides:

"Presentment for payment is made at the proper place—(1) where a place of payment is specified in the instrument and it is there presented."

Adams & Co., having presented this check to the People's State Bank for payment, did discharge their legal obligation to the drawer of said check.

Complaint was made to the admission of certain testimony, but, the cause being tried before the court and it not appearing that the testimony was considered by the court, for the fact that there is ample evidence to sustain the judgment under the other issues in the case, the said assignments will be overruled.

It appearing to the court that there is ample evidence to sustain the findings of fact as found by the court, it is the judgment of this court that this cause be affirmed.

COLLECTING BANK NOT LIABLE FOR NEGLIGENCE OF CORRESPONDENTS

Farmers' & Merchants' Bank v. Ray, Supreme Court of Arkansas, 280 S. W. Rep. 984

Under the Statutes of Arkansas (Acts of 1921, page 514, § 14) a bank is not responsible to a depositor for the negligence of correspondent banks employed by it in collecting a check, provided that it uses due diligence in the selection of such correspondents.

OPINION

McCULLOCH, C. J.—Appellee, who was the plaintiff below, is a resident of Mulberry, Ark., and appellant is engaged in the banking business at that place.

This is an action instituted by appellee against appellant to recover the amount of a check received for collection by appellant, which it failed to account for. The case was tried before a jury, and the trial resulted in a verdict in favor of appellee.

On June 19, 1923, during banking hours, appellee delivered to appellant, for collection, a check for $1150, drawn in his favor by Mrs. Etta B. Beard on the First National Bank of Sapulpa, Okl. Appellant accepted the check, passed it to the credit of appellee, and gave a deposit slip, and forwarded the check to its corresponding bank in Ft. Smith. This was done in due course of mail on the same day that the check was received, and according to the due course of mails the check should have been received by the bank in Ft. Smith the next morning, June 20. The Ft. Smith bank forwarded the check to the Federal Reserve Bank at Oklahoma City, where it was received on June 22, 1923, and was, by that bank, forwarded directly to the First National Bank of Sapulpa for payment. The check was received by the Sapulpa bank

State & City Bank and Trust Company, Richmond, Va.
Clinton & Russell, Architects

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Our engineers will gladly co-operate with architects in the solution of unusual window problems on June 23, and on that day it drew its own draft on the Federal Reserve Bank at Oklahoma City and forwarded it to the latter in payment of appellee's check. This draft probably reached Oklahoma City on June 24, which was Sunday, but was not delivered on that day, being delivered in due course on Monday, June 25. On that day, and before the Federal Reserve Bank could forward the check, the First National Bank was found to be insolvent and passed into the hands of the bank commissioner for liquidation.

The drawer of the check, Mrs. Beard, lived at Sapulpa, and when the bank there received the check for payment, Mrs. Beard was informed that the check overdrew her account, whereupon she made a deposit of $500, which was more than sufficient to raise the credits on her account above the amount of the checks. Thereupon the bank marked the check "Paid," and surrendered it to Mrs. Beard.

On June 26 appellant received information of the failure of the Sapulpa bank through its Ft. Smith corresponding bank and at once notified appellee. This was done by the assistant cashier of appellant bank. He testified that he notified appellee that the First National Bank of Sapulpa had closed its doors, that the check was not good, and that they would have to charge it back to him. He testified that he told appellee that they would wait a few days to see whether the check came back. On July 23 the item was charged back against appellee on his account, but he was not notified of the entry until about a month later. In the meantime, appellant, through its cashier, requested appellee to sign a preferred claim to be filed with the Oklahoma bank commissioner, but appellee refused to do so. He testified that his refusal was for the reason that appellant demanded that he accept what he received on the claim in full of all demands against the appellant bank.

There was testimony as to the course of the mails between Mulberry and Sapulpa via Ft. Smith and Oklahoma City. A letter mailed at Mulberry would reach Ft. Smith the next morning, and a letter mailed at Ft. Smith during the day would leave there early in the evening and reach Oklahoma City early the next morning. It was four or five hours by train from Oklahoma City to Sapulpa; there being four trains a day each way. There was no testimony from any one in the Ft. Smith bank as to the time the check was received there and mailed out.

The trial court instructed the jury that appellant was liable for its own negligence as well as that of any banks through which hands the check passed for collection, and submitted the issue to the jury as to whether or not there was a failure in collecting the check on account of negligence. Appellant asked the court to instruct the jury that all of the corresponding banks through which the check was transmitted for collection were the agents of appellee, that defendant was liable only for negligence of its own, and was not liable "for the default or negligence of any of the corresponding banks." The court refused to give that instruction, and this is the principal assignment of error in the case.

It is undisputed that the check was delivered to appellant merely for collection, and hence it becomes necessary to determine whether or not the court was correct in its instruction that appellant was liable for any negligence of the corresponding banks through which the check passed.

There are two conflicting lines of decisions—one originating in the New York Court of Appeals (Allen v. Merchants' Bank, 22 Wend. [N. Y.] 215, 34 Am. Dec. 289), in which it was held that the initial collecting bank is responsible for the negligence of all the corresponding banks through whose hands the check may pass for collection, unless there is an express contract to the contrary between the customer and the initial bank; and the other rule, originating in the Supreme Judicial Court of Massachusetts (Fabens v. Mercantile Bank, 23 Pick. 330, 34 Am. Dec. 59), to the effect that, where a check on a bank at a distant point is delivered to the initial bank for collection, the corresponding banks are the agents of the customer, and the initial bank is not responsible for their negligence. 3 R. C. L. p. 622; Morse on Banks, § 274 et seq. The Massachusetts rule seems to find rather greater support in the other authorities, but this court has already committed itself to the New York rule, and we are not disposed to change by overruling former cases. Second Nat. Bank v. Bank of Alma, 99 Ark. 386, 138 S. W. 472; Perry State Bank v. Myers, 159. 253, 251 S. W. 685. In Perry State Bank v. Myers, supra, we said:

"The law requires a bank to use due diligence in collecting checks deposited with it for collection. What due diligence is depends on the particular circumstances in each case. . . . The negligence of the corresponding bank was necessarily the negligence of the sending bank. It had selected the corresponding bank as its agent for the collection of the check."

In Second National Bank v. Bank of Alma, supra, we said:

"A bank which accepted a draft for collection is liable to the owner thereof for any loss sustained by reason of any default or breach of duty by a subagent to whom it forwarded the draft for collection."

Counsel for appellant distinguish this case from Perry State Bank v. Myers, supra, by saying that in that case the draft was on another bank in the same county with the initial bank, and that, if the latter saw fit to send it to a corresponding bank outside of the county, instead of presenting the check directly, it did so at its own risk. That, we think, is not an important distinction, for the fact that the two banks are situated in the same county does not change the operation of the rule. If the banks were in the same town, where there could be a direct and personal presentation of the check, then there would be a distinction, because, necessarily, the sending of the check to a corresponding bank would be an unnecessary act, and any risk attending it would be assumed by the initial bank. Where there are two banks in different towns of the same county, the matter of distance is merely one of degree, and, even though the bank is adopting ordinary banking methods in forwarding the check to a correspondent instead of presenting it directly to the paying bank, the selection of the agencies are those of the initial bank and not of the customer, and the latter is liable for all negligence, unless there is a special contract against liability for negligence of the corresponding banks.

But the rule of law thus announced by this court has been expressly changed by a statute which reads as follows:

"Any bank, whether within or without the state, receiving for collection, or for deposit and recharge if not collected or remitted for, any check, note, bill, draft, certificate or other instrument or account, payable in another city or town, whether within or without this state, having exercised reasonable care to select a proper correspondent for the collection of such instrument or account, shall not be liable for the default of such correspondent or of any subcorrespondent selected by the latter, and negligence of any forwarding bank shall not be predicated upon the fact that it may have forwarded such instrument or account directly to the bank on which it is drawn or at or by which it is payable, but the owner of such instrument or account or the person to whom the same is recharged if not collected or remitted for, shall have a cause of action for and on account of said default against any such correspondent or subcorrespondent itself failing to exercise reasonable care in making said collection." Acts 1921, p. 514, § 14.

The rulings of the court in regard to instructions to the jury were in direct conflict with this statute. It is true that appellant's requested instructions were not in the exact language of the statute, but they came substantially within its terms, and one of the instructions given over appellant's objection told the jury, in so many words, that appellant "is responsible for the conduct of all the other banks employed by it in collecting the check." The evidence in the case was sufficient to warrant the jury in finding that appellant was not guilty of any negligence in the selection of its correspondents, and that it was not negligent itself in forwarding the check for collection, hence the instructions of the court were erroneous and prejudicial.

It is unnecessary to discuss any other feature of the case, for the error of the court in its charge to the jury calls for a reversal.

Reversed and remanded for a new trial.

AS TO "SHYLOCK"

[Continued from page 452]

such a comparison are totally unacquainted with the lovable qualities of the gentleman who stands for the national type of America. They are likewise supremely ignorant of the character of "Shylock" as depicted by William Shakespeare.

The attempt, therefore, to portray "Uncle Sam" as "Uncle Shylock" has ridiculously failed. Nor yet will be successful the attempt to make him out "Uncle Simpleton."

THE BRANCH BANK QUESTION

THERE are two aspects of the McFadden Bill worthy of careful attention by the bankers of the country. These aspects are contradictory in character; one provision seeking to extend branch banking, the other to prohibit it—a case of good Lord, good devil. The argument by which these contradictions are reconciled would run somewhat as follows: Branch banking is a bad thing, but since it is already practiced by a number of state banks, the national banks should be given the privilege of indulging in the same form of "wickedness." The present situation with respect to branch banking resembles that which would exist were prohibition applied to one class in the community while another class were exempt.

Could Congress find some means of effectually curbing the extension of branch banking by the state banks, and even compel the withdrawal of branches already established, the situation would be very much altered. The opponents of branch banking could then go to Washington and demand that branch banking be overthrown. As Congress apparently lacks this power, such a course is impracticable. But if the opponents of branch banking are really in earnest, they can carry their fight against it to the legislatures of the states that have already passed laws authorizing branch banks and to other states where such laws are contemplated. Failing to do this, it may not unreasonably be inferred that their opposition to branch banking will be appeased by granting to the national banks some of the privileges the state banks already have with respect to establishing branches. The Hull amendments, limiting the extension of branches, give to the McFadden Bill the appearance of a measure against branch banking; but this appearance is deceptive. Congress cannot restrain the extension of branch banking among the state banks unless they are members of the Federal Reserve System. The membership of this class of banks is so small as to be of little present importance.

It is regrettable that the situation is such as to make it difficult to have a straight, clear-cut issue made of the branch banking question: That is, if branch banking is a good thing, why limit it; or if a bad thing, why permit it.

WICKEDNESS TRIUMPHANT

TIME was when, on the stage and in fiction, virtue however harassed by villainy, was sure to emerge triumphant in the end. We could sit back comfortably in our seats at the theater sure in the belief that however prosperously might go the affairs of the well-dressed villain at the outset of the play, he was sure to be tripped up by the low comedy man in the fourth act, or by the fifth at most. We knew that trains might run over the hero and heroine, or they might be involved in the darkest plots, but they would come out safe, sound and unscathed. They were shod with sandals of righteousness and could walk through fiery furnaces with no smell of fire on their garments. They wore breastplates of virtue which no shafts fashioned by the most hardened villain could pierce. So with the good little boy in fiction. Harm might come near, but never could touch him. Every story contained a good moral. Nothing else but a happy ending, with virtue regnant and vice underfoot, would have been tolerated in the times not so far distant.

But these are progressive days. In the current issue of a popular magazine there is a story which runs like this. At night a noted criminal lawyer is aroused from his slumber by a distressed individual who confesses to having robbed a bank of which he was cashier of $50,000. He did it, he says, because somebody told him that a quick fortune could be made by buying a certain oil stock. He wanted the money so that he might send his wife, who had tuberculosis, to a friendlier climate, and to give a better home to his children. The money was stolen, put into the stock, and lost. After hearing his story, the lawyer told him he could do nothing; the man threatened to kill himself in the lawyer's presence; the latter objected, and ordered the man out of the house. Just as he was leaving, the lawyer called him back, and said he had "a hunch" about his case: "You stole $50,000 and lost; steal another $50,000 and win." The lawyer realized that the advice given was unethical; but it worked. The self-confessed thief stole $50,000 more, speculated in the same stock, made a fortune, sent his wife to the mountains, provided a fine home for his children, and became a large stockholder and director in the bank he had robbed.

There is nothing new in the theory on which the supposed lawyer based his advice in this instance; it is the theory almost universally followed in every bank defalcation. A little is stolen, and lost; more is taken, in the belief that former losses can be made good and the stolen money returned to the bank. Unfortunately, for the success of this theory, it fails to work out in fact as it does in fiction. The writer of fiction can move stocks up or down at will, and shuffle events to suit his purpose. But life does not run along in that fashion; the unexpected happens. And he who had counted on a lucky turn to extricate him from his difficulties finds himself caught in the web of circumstances.

Of course, successful villainy is no less immoral than when it is unsuccessful; but, in fiction at least, it has a glamour which failure lacks. The fact that we can look upon the triumph of villainy with tolerant eyes seems to indicate a less rigid moral standard than formerly prevailed. In a progressive age, where all things seem possible, we may reach a point where the deacon in the church will be a bootlegger during the week, and the pastor himself only preaching on Sundays and devoting the other days in the week to his vocation as a bandit. Truly, we live in a progressive age, and no man dare set limits to our future attainments. Nevertheless, the young banker who steals $50,000 and loses should think twice before he steals another $50,000 in order to win. He may lose again.

MOTION PICTURES—A NEW PUBLIC UTILITY?

[Continued from page 458]

However, there were certain broad policies which could with advantage be put into effect, and this was done. In the matter of general studio efficiency, improvements in working schedules were instituted with the result that the personnel not only functioned more steadily but also more efficiently and, of course, more economically. Excessively competitive bidding between producers for the services of stars under contract to other producers was given attention as well as a careful dovetailing of production schedules to the end that there might be a more consistent demand for the services of both actors and "extra" talent. The previous irregular change from months of production activity to months of comparative idleness has been succeeded by a year-round production program which is subject to budgetary control. Welfare conditions in the studios have lately been recognized by competent authorities as the equal of those existing in any of the older industries. The studios themselves, both plants and equipment, represent an enormous investment and embody the most up-to-date features of well-managed manufacturing units, in which America excels. As to the pictures themselves, they are being made from the best available material, classical and modern, from the best that the arts of literature and drama have to offer and supplemented by the original creations of the screen's own contribution, the scenario. These works are being picturized by directors who not only have a keen appreciation of commercial values but also are alive to the influence of the screen on the manners and customs of their times. It is the awakened sense of pride in the industry that is in large measure responsible for the high average of successful pictures, commercially and artistically, which have been produced in the last four years or more.

With production moving smoothly, it was natural that attention should be directed to fiscal and merchandising problems. It has been said by many bankers that they are at a loss to understand why a business which is apparently on a cash basis should ever be in need of short-term loans. It is self-evident that the public pays cash for admission to the theater and it is equally true that the theater owner pays a cash deposit at the time he executes a contract to play a certain picture and pays in full when the picture is played. However, the motion picture business is subject to a general seasonal fluctuation from the standpoint of receipts and expenditures, although this fluctuation is becoming less marked each year. The summer months are at once the time of a slackening in the flow of receipts and a speeding up of production expense and, therefore, it is sometimes necessary for the producer to seek accommodation at the banks. Through the medium of spreading production activity over a longer period of months and through the intensive publicity campaign instituted by the central organization of the industry in co-operation with the exhibitors, attendance during the summer months is simultaneously being materially improved and thus the valley in the graph of the industry's revenue is becoming shallower. This increased attendance in the "dull" season would not be possible were not the production schedule so planned as to release good pictures in the summer and if theaters were not being made more attractive and comfortable by the installation of artificial cooling systems and other such items.

DEVISING A "BEST PRACTICE" BALANCE SHEET

In view of the necessity for banking accommodations, the industry as represented by the central organization found, upon analysis, that growth had been so rapid that little time had been devoted to the development of a rational system of accounting. Many of the large companies were developing excellent systems, being helped in the solution of their accounting problems by representative public accountants. Banking institutions found it somewhat difficult, sometimes impossible, to accurately evaluate the general balance sheet of a motion picture company when it was submitted to them. And so, a "best practice" balance sheet was devised by the financial officers of the larger motion picture companies in co-operation with the Federal Reserve Bank of New York, the New York Clearing House, public accountants and the banks that were currently engaged in motion picture financing. This balance sheet has been of great value not only to the industry but also to the banks generally as it supplies the means for reflecting the true condition of the applicant for credit. Whereas in former years, one could count on the fingers of two hands the banks who were financing motion picture enterprises, today we find representative banking institutions throughout the country actively participating in the fortunes of this new public utility.

Steps were taken by the industry also to see to it that the public was generally informed as to the investment standing of the motion picture business. In co-operation with the American Bankers Association, the Investment Bankers Association, the National Association of Credit Men, and the Associated Advertising Clubs of the World, the industry entered upon a consistent program having for its purpose the placing of the public in a position to discriminate between the soundly financed, well-managed motion picture companies and those concerns which were from time to time promoted by individuals who were not actuated by honest purposes and who sought to obtain the support of the investing public with no real intention nor ability to see to it that the investor received adequate returns for his capital advances. Shortly it came about that the large underwriting houses were offering motion picture securities to their clients. No longer is the control of the industry lodged in the hands of a few individuals, for the investing public has declared itself "in" on the profits which are realized when efficient management directs the destinies of a motion picture company which has a steady output and an outlet for its products.

THEATER CONTROL

This latter phase of the motion picture industry, the outlet for the finished product, has been a problem the solution of which has brought about the most important change in the industry's operations in the last four or five years. While it has constituted a radical change from previous methods, it again parallels the experience of other large industries. It is obvious to bankers, whose business automatically makes them familiar with marketing problems, that the shortest line between factory and consumer is the most desirable. In the picture industry, the usual procedure was for the producer to sell his picture to the distributor, who would, in turn, rent the picture to the exhibitor. It will be seen that the exhibitor, therefore, was in the "key" position as to price for the product. It was natural and logical for the producer to seek contact with and direct channels to the ultimate consumer, the motion picture patron.

Just as oil producers buy up refineries and gas stations, as manufacturers of electrical equipment have bought into public utilities and other users of their products, so it was inevitable that the producing and distributing companies in the motion picture business should see the wisdom of linking up theater operation with production and distribution. This has resulted in the purchase and control of theaters on a large scale by producing-distributing units, thus assuring for their product primary presentations in theaters under their own control.

These "key" theaters may be said to be the show-cases of the distributors and afford the independent theater owners an opportunity to gauge the reaction of the public to the pictures presented. Perhaps 5000 of the total 20,000 motion picture houses in this country are now owned or operated by the large producers and distributors. All the economies and advantages accruing to the widely known success attending "chain" operations are enjoyed by theater circuits. This is, indeed, a strong link in the chain of stabilization which is being forged and which is likewise bringing about improved standards of theater operation with consequent increased revenue.

ARBITRATION OF COMMERCIAL DISPUTES

The matter of litigation is one which compels the unwilling but intensive consideration of a banker who is financing an industry, and so he may well know what has been accomplished by the organized motion picture business in dealing with this problem. When it is realized that the average motion picture theater annually rents from distributors approximately 175 feature pictures and about 350 short subjects (newsreels, comedies and novelties), it will be seen that the 20,000 theaters enter into contracts with distributors calling for the exhibition of 10,500,000 separate pictures every year. This enormous number of transactions is under written contract and the opportunities for disputes arising therefrom can be readily visualized. The industry, however, cannot tolerate lengthy litigation affecting the pictures themselves, as their value is dependent upon their immediate release to the public upon production. Therefore, the industry has become, in the words of the American Arbitration Association, "pre-eminently the outstanding example of the successful use of arbitration as a means of settling commercial disputes." In connection with disputes arising through film exhibition contracts in 1925, the thirty-four motion picture boards of arbitration composed of distributors and exhibitors gave only 5450 awards, all other contracts having been completed without arbitration and without expensive litigation. The record holds significance for the banker.

In the matter of supervision and control of fire hazards, the industry has likewise received the whole hearted approval of the National Board of Fire Underwriters and the various fire prevention bodies of the country. This is the result of the installation of the most highly developed systems of fire prevention in studios, film exchanges and theaters.

It is evidence of the importance of the industry in the nation's business to learn that the Department of Commerce has recently established a bureau to cooperate with the industry in its operations beyond the shores of the United States. This is not astonishing in so new an industry when we are made aware of the fact that the United States manufactures 87 per cent. of the world production of motion pictures. While the American industry is self-supporting within the United States, it is significant that from 25 to 40 per cent. of the industry's revenue is derived from overseas distribution. This is another element making for stabilization. It may be pointed out, too, that the development of the foreign market for American pictures is just now beginning to assume continuity of effort and the expansion in foreign countries is practically without limitations, as our pictures carry an international appeal. In Canada, for example, there was organized last year an association designed to function much the same as the American association and with good results in the matter of uniform policies and joint effort.

PUBLIC OWNERSHIP OF STOCK

The picture which has been painted of this industry which is an art makes comprehensible the eagerness with which the public has taken advantage of the opportunities to participate in the rewards of this new public utility, which it is hoped the reading of the article will show motion pictures to be. A recent survey showed that the number of shares in the hands of the public and the number of shareholders of motion picture securities which are listed on the stock exchanges were, respectively, more than 11,000,000 and 60,000. In 1925, transactions in these securities recorded on the stock tickers totaled 5,005,400 shares, or a daily average of 13,712 shares. This public ownership of stock of motion picture enterprises is a development which banks and trust companies are carefully watching, for the balance sheets of estates and trusts now have listed among the assets, stocks and bonds of motion picture corporations.

As to the future, we must consider the past, but it is typical of the new order of things within the motion picture industry that the central organization has renewed its contract with its president, Will Hays, for a period of ten years, or until 1936, and its members have at the same time bound themselves to a perpetuation of the organization for a similar period of years by pledging the finances necessary to its support. The industry means to "carry on" and with the cooperation of the public and the financial genius of the country, its possibilities are without horizon. As a distinctive American enterprise, it is both a public servant and a commercial giant.

NORTHWESTERN BANKS IMPROVE OVER A YEAR AGO

TAKEN as a whole, banks in the middle Northwest are in better condition than at the same time a year ago, according to the *Northwestern National Bank Review*, a publication of the Northwestern National Bank of Minneapolis, Minn.

The tendency during 1925 was strongly toward economy in all departments and the rate of interest paid on time deposits on national banks in the Minneapolis territory has been reduced 1 per cent. or more between 1923 and the present time.

A report published this month by the South Dakota Bankers' Association gives additional evidence of progress in better banking practice. It discloses the results of a survey of service charges put into effect and rates of interest paid by banks in fifty-eight counties of that state, and while opportunity for comparison with a former period is given in but one instance, this shows improvement: prevailing interest rates paid on county funds decreased considerably during the last year. A charge for cashing out-of-town checks was made by 65 per cent. of the reporting banks. A sample letter issued by one bank when instituting such a charge gives as one of its reasons: "Over 90 per cent. of the creamery and egg checks are cashed instead of deposited to accounts as formerly."

INDEPENDENT VS. BRANCH BANKS

[Continued from page 460]

volume of business at a lower operating cost. Then the pooling of invested capital means broader lending power. Recently, a merger in New York City gave rise to a mammoth institution, making possible the second billion dollar banking organization in the city. Credit line potentialities were doubled and certain new accounts from organizations to whom a million dollar line is but a bagatelle, will be prospective.

Country banks, however, are constrained by no such paramount question in merging. Usually the aim has been to combine because not enough business existed to support the number of banks in a given town. And then competition from the neighboring city banks, has often presaged the action. This latter contingency has been brought about by the era of better communications—automobiles, improved roads, the telephone, etc. The village bank is left in the cold when the farmer and small town merchant discover that the city bank is, so to speak, "right around the corner."

From all this, however, no inference should be drawn that the day of the little bank at the crossroads is passing. The majority of country banks operate at a profit and in many communities where antagonism to branch banking still waxes strong, it would obviously be unwise to attempt transformation to a branch.

What is needed among this class of banks is a more careful use of credit in agricultural districts and in the gradual process of eliminating the weak ones we will have a system smaller possibly in individual units, but as large in total resources and operating more smoothly and efficiently.

WHAT COUNTS MOST IN ATTRACTING NEW CUSTOMERS?

[Continued from page 470]

On the other hand, if a bank's organization is of the right sort; modern, progressive, alert, yet safely conservative, and the personality of the banking staff is such that customers feel that an individual personal interest is taken in their affairs, the bank on the busiest corner in town should make a serious bid for the lion's share of the new business. A bank that is passed by more people every day that any other bank in the same city has a decidedly worthwhile advantage for that reason alone. When people are under the necessity of having to pass the site occupied by the First National Bank several times a day they cannot very well shut their eyes to the fact that there is such a bank. Furthermore, they are in a very fair way to be impressed with the convenience and desirability of the First National Bank as a banking place for them.

ADVERTISING VALUE OF ATTRACTIVE BUILDING

In carrying on this survey among banks in country towns as well as cities I found a remarkable unanimity of opinion about the advertising value of an attractive and substantial-looking bank building. Much stress was rightly laid on the importance of a dignified and appropriate banking home as one of the most significant single phases of all forms of bank advertising. The advertising value of such a building that reflects the individuality of the bank is beyond all telling. It denotes stability, permanence, vitality, the faith of the institution in its future, the lack of any mere makeshift policies and it impresses all who see it with the fact that only a first-rate bank could own or occupy such an imposing structure of marble or granite. It gives people a material token of security that is worth more than all the printed financial statements that a bank could circulate in a dozen years.

In this connection the suggestion might be ventured that the surprisingly large percentage of people who do not mention financial security as a first consideration may be drawing their own conclusions from outward appearance. A Portland, Me., banker who believed it a short-sighted policy to have anything but the best in the way of a banking office told me that he was no less an authority for the statement than the record of his bank's gain in deposits following the erection of a modern banking home.

The history of a bank or the fact that it is the oldest in town, as talking points for exploiting the strength and safety of the institution, likewise appear to be arguments that have shrunk into insignificance, although both of them formerly afforded effective suggestions for attracting new depositors. In selecting their banks nowadays people seem to take a half-hearted interest in the number of financial storms that an institution has weathered throughout a century of growth or the ratio of the bank's capital and surplus to its deposits. They want to know first of all that they are dealing with a bank that is big and broad minded, whole-hearted, quick to grasp a problem and alert to serve its patrons. The question of age as a factor could not have been answered more succinctly than by a Flint, Mich., banker who said: "Flint is a rapidly growing community and the fact that a bank is the oldest in town would not be a particularly strong feature. This is proven by the fact that our bank is the youngest in the city and also the largest."

PERCENTAGE OF NEW BUSINESS ATTRIBUTED TO ADVERTISING

The percentage of new business attributed to advertising by bankers was in the neighborhood of 10 per cent. and inquiries among personal friends indicated that an even smaller number had been influenced to make bank selections giving advertising as the chief cause. That is not necessarily to the discredit of advertising as a powerful factor in attracting new customers, however, for it is one of the best means a banker has for exploiting the wares he has to sell. Advertising of the right sort will accelerate the development of any bank because it educates the people to an appreciation of the bank's ability and willingness to serve them in specific ways and its value increases from year to year as it continues. There is a dearth of knowledge about banking methods and facilities among the great masses of people and the right kind of publicity will help a bank to create an individuality that can be made a great business-pulling factor.

Very likely the explanation of this seemingly obscure showing made by advertising lies in the fact that many more people follow the dictates of the printed page than ever realize it. Advertising is an investment and a protection that builds prestige and good-will and consequently it is difficult to determine the dollars and cents value of an intangible item that does not figure in the statement. The opinion of this California banker casts an informing light: "While very few people who come to a particular bank to open an account attribute it to newspaper display advertising, I feel sure that the foundation has been laid in their minds by this method, followed up by other factors. Back of them all is advertising in one form or another. Newspaper display is considered as broadcasting, while the various other media, such as programs, business cards, street car cards, billboards and so on through the list including direct by mail, that is, letters, form and otherwise, can be regarded as the follow-up or salesman to display advertising."

A New Jersey banker who had been directly interested in financial advertising for over fifteen years stated that while he was forced to admit that in his opinion advertising came fourth as an important factor, he firmly believed that advertising could very often be made to fill in all the other necessary factors with the exception of service to depositors. Thus a reasonable inference might be that a combination of friendship and advertising should be the most far reaching in its consequences.

WHY CUSTOMERS WITHDRAW ACCOUNTS

A tabulation of the answers received from individuals and the reasons given for severing relations with one bank and going to another revealed many of the interesting chronic frailties of human nature. The first and foremost reason was the refusal to make loans. When a customer is denied a loan, all the friendship and good service in the world is disregarded by him. He then has a grievance and becomes a dissatisfied customer until he goes elsewhere and finds that he is not a good credit risk from the banker's viewpoint. But to flatly refuse a person who is worthy of credit seems to be one of the most vexatious blunders that a banker can make. Every one agreed that it had been a most humiliating experience and the remembrance of it was grievous unto them.

Inattention and lack of service ranked next as a reason. Discourteous treatment was another outstanding cause for closing an account and seeking a new connection. Apprehension over the security of deposits or the lack of public confidence in a bank came last as a reason, although the inquiries were made in a community where there had never been a bank failure. It is a curious fact that while the relative safety of different banks does not appear to be worth a moment's regard to people in making their selections, yet when the least cause for anxiety comes they are certain to want their money first and explanations later. The slightest rumor of uncertainty about the safety of their funds makes them cast friendship, service and all other considerations to the winds.

What are the lessons to be deduced from the results of this investigation? In a nutshell, the most important thing to determine is the existence or the lack of those elements in a bank's organization that gain and hold friends. The value of the personal touch in banking can hardly be exaggerated. "Service," probably the most used and abused word in the entire dictionary, is, after all, a bank's greatest field for new business and service of course includes the type of banking home and its equipment, the number of departments, personality of the officers and employes and the willingness with which every demand consistent with good banking is met.

SPECIAL SERVICES AS A FACTOR

It is safe to say that all banks endeavor to please through service, succeeding in varying degrees, and it is naturally this difference in the result that makes the difference in the size and the profit-making possibilities of various institutions. The writer has observed a marked tendency on the part of bankers nowadays toward the unusual in financial services. In competition with many other institutions banks find it necessary to use competitive methods.

A case in point is that of a New Jersey bank which purchased some central city property at considerable expense wherein it might advertise free parking space for automobiles. This proved immensely popular and more than carries the overhead and taxes through the revenue received from non-depositors. In the lobby of the bank is a fine scale which is also popular. The bank advertises investment advice, helps with income tax returns, provides a conference room for meetings and extends prizes to the various agricultural clubs encouraging farming. One medium alone that it considered worth at least $5000 a year to it was a display window which it loans alternately to its depositors. Another bank in Pennsylvania whose idea of advertising was to get people into the bank so that they would have an opportunity to offer personal service, attached the most importance to "indoor" advertising. To bring people into the bank it holds all kinds of exhibits—industrial, floral, pottery, china, etc. It has these running for about six months of the year and believes them to be more productive of results than any other form of advertising. Certainly in these days of keen rivalry among banking institutions any of these mediums for reaching prospective customers should merit serious attention.

SECURING CO-OPERATION OF STOCKHOLDERS

[Continued from page 462]

holders meeting held the second Thursday of January. The by-laws of the bank provide that the meeting shall be held by 10 o'clock and notices calling this meeting are by tacit consent ignored, for the stockholders are advised that the meeting will properly be held at 12.30 at a local hotel. Two or three of the stockholders meet at 10 o'clock and "because of lack of quorum" adjourn to meet at 12.30.

After a luncheon served by the hotel the annual business meeting is called to order.

The actual routine of business is usually preceded by a fifteen to twenty minute talk, perhaps by some banker who is not connected with the institution, but who is invited as a guest because of his ability to speak clearly and thinkingly, and these talks have been found to be of value in pointing out to stockholders, by someone other than one of the officers, the many opportunities in which they may help their own institution.

PLANNING THE CREDIT FILE

[Continued from page 467]

him to carry on an intelligent conversation even if he is not thoroughly posted concerning the credit.

Next to the top sheet in the file should follow the statement comparison form, for this is probably the next most important bit of condensed information. The writer has reviewed a large number of comparison forms but that shown in cut example "F" was the best seen as to completeness and ease with which it can be read. It contains the whole financial picture in a clear cut way.

Whether for a large or a small bank the comparison form, reflecting as it does the trend and financial condition of the borrower over a period, is useful and is simple enough to maintain in proper condition. Of course in many instances in the smaller country bank it would be useless but in practically all moderate sized banks there are (or if not there should be) usually a number of instances where it could be profitably employed.

Sheets which contain direct information (write-ups of interviews with the customers) need be only plain white sheets of paper of letter-head size.

FEW SPECIAL FORMS NECESSARY

As previously stated, the folder itself (plain manila) "A", the simple top

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BANKING AND FINANCE ABROAD AND INTERNATIONAL BANKING NOTES

THE FINANCIAL AND ECONOMIC SITUATION ABROAD

By William Hayes

TO date, Italy has been considered financially the "weak sister" among the members of the former Latin Monetary Union. Economists have pointed out repeatedly that she has practically no natural resources, such as coal and iron; nor has she developed any particular industry to the point where she is pre-eminent. Therefore, they have concluded that economically she has less chance of returning soon to that much desired "normalcy" than France or Belgium.

The debt funding agreement, granting more favorable terms to Italy than to France or England, indicates that the United States shares this view, and has modified the terms accordingly.

Mussolini, however, will have none of this. He sees Italy as a great nation—economically as well as politically. He is determined to make it so. While the French have been debating over stabilization and taxation and ratifying the debt funding agreement; while the Belgians have drawn up an elaborate plan for stabilization of the franc, only to see it fall through because they could not agree on the terms of the foreign loan which would make it possible—while this has been going on, Mussolini has been increasing working hours, increasing taxes, reducing government expenses, until he has eventually brought the exchange value of the lire above that of the franc. The methods by which he has accomplished this are sharply criticized in democratic countries, but the results are to be commended.

Not satisfied with bringing the lire above the franc, Mussolini has announced a program of deflation which will in time bring it back to its original parity. Not for him are the palliatives of "stabilization." In his present state of mind nothing short of complete deflation is satisfactory.

THE DEFLATION PLAN

To begin with he has a budgetary surplus of approximately 1,500,000,000 lire. This has been applied to the reduction of the internal debt, bringing it down to about 90,000,000,000 lire.

Then he has arranged to have the $90,000,000 proceeds of the Morgan loan transferred to the Bank of Italy, in return for which the bank will cancel a credit of 2,500,000,000 lire extended to the government. This 2,500,000,000 lire loan of the bank to the government was originally made in notes, and it is evidently expected that an equal quantity of notes will be redeemed by the bank, for the cable account of the plan says that the "paper circulation will be decreased immediately almost 3,000,000,000."

This will leave a fiduciary note issue for the account of the government of about 3,000,000,000, still to be repaid. This, according to the plan, is to be reduced by 500,000,000 lire each year, that amount having been set aside in future budgets. This will extinguish the state fiduciary note issue by 1932.

The 2,100,000,000 lire of treasury notes, issued in denominations of 5, 10, and 25 lire is to be reduced by 400,000,000 lire, by withdrawing all of the 25 lire notes without replacing them, and replacing some of the 5 and 10 lire notes with silver coins.

If Mussolini lives to carry out his plan (as this is written news comes of another attempt to assassinate him) the lire may be brought back to its mint par of 19.3 cents. But one may well question whether the glory so gained will be worth the misery it will cause. For a policy of deflation is almost certain to result in paralyzing business. For as the value of the lire appreciates, the price of articles must decline. Prices and the lire are located at opposite ends of a see-saw, balanced on value. Value remains constant, but as the lire goes up, prices must come down. For prices are but "value expressed in terms of money," and if value remains constant and the value of money increases, prices must decrease. And if the law of supply and demand governs money as it does all other commodities, the reduction of the supply of money by 500,000,000 lire yearly must enhance the value of money.

Every business man knows how difficult it is to make profits when prices are declining. It is almost impossible to do so, if prices are declining fast, for while an article is being manufactured its price may decline enough to wipe out profits. It is natural that business men should refuse to carry on business when prices are declining, in order to avoid losses. Suppose such a condition to be prolonged over the next six years, as is the prospect in Italy. It is a question whether even Mussolini will be able to withstand the protests which will result.

Less than a year of such declining prices and paralyzed business was enough for Norway. That country has ceased its effort to deflate its currency, and has given its energy to stabilization instead. It is quite probable that an equal time will suffice Italy.

Stabilization has many advantages over deflation. The strongest argument for bringing a monetary unit back to its former value is the restoration to creditors of the purchasing power of which they have been robbed. But in the intervening years while the lire has been depreciated it is probable that enough contracts have been made so that as much injustice will be worked by changing the position of such people, as justice will be achieved in restoring creditors to their former position.

Then, again, stabilization encourages business. If business men can rely on the money in which they deal holding its value for a time without increasing or decreasing, they can proceed to produce with some prospects of profitable operation. Even so, they must assume enough risks. But if these risks are increased by the danger of constant changes in prices, due to fluctuating value of money, the position of the business man becomes impossible.

EXPORT BALANCE MENACING

Mussolini is rightly placing a great deal of emphasis on increasing production in Italy. For it is the trade balance of that country which seems likely to cause most of its difficulties in the future. During the first six months of 1926, Italy imported 5,946,000,000 lire more of goods than she exported. In the last analysis, this must be paid in gold. If such drains as this on the gold reserve continue, there will be but little gold left to support the deflation program described above. Notes cannot be reduced by paying other notes for them. The only real reduction of circulation is effected by paying gold for notes. And if the gold is drained off through payment for imports, it cannot be used to reduce circulation.

Of course, with the decrease of prices in Italy, an export surplus would naturally appear, for lower prices would make it cheaper for foreigners to buy in that country. But such an export surplus would be built up by impoverishing the country, as is happening in France.

Meanwhile, however, business in Italy is holding up fairly well, in spite of exchange difficulties and the fact that money is fairly tight. Though the wheat crop is not so good as last year, it is still fairly satisfactory. The use of war bread is again being urged to make the crop supply the country without importations. The lire has improved somewhat since the announcement of the deflation policy, and has held fairly steady since that time.

Count Volpi is following the American idea of supervising the banks in the interest of depositors. He has introduced a measure providing that no new banks may be organized without the authorization of the Ministers of Finance and National Economy. They are instructed to consult with the Bank of Italy on applications for new banks or for the opening of new branches, to which the law also applies.

Another section provides that banks which accept deposits must set aside 10 per cent. of their earnings each year in the form of a special reserve until the special reserve amounts to 40 per cent. of the banks' capital. All banks must submit annual balance sheets to the Bank of Italy, which is charged with the enforcement of this regulation.

The Ministers of Finance and National Economy are authorized to issue regulations fixing the ratio which must exist between a bank's capital and the amount of deposits it is allowed to accept.

THE MARK COMES OF AGE

The Reichsbank has decided that the mark is now old enough to take care of itself. For two years the bank has protected the new monetary unit born with the Dawes Plan, by holding the quotation rigidly at 23.8, but in the latter part of August, it withdrew this support. It was felt that it was no longer necessary to peg the quotation. This opinion has so far been justified by the strength of exchange since the removal of support.

This even coincided with the end of the second year of the Dawes Plan, during which 54 per cent. of the reparations were paid in kind. In spite of the fact that reparations have been paid now for two years without serious difficulty; and in spite of the fact that the business situation in Germany is steadily improving, there is a constant reiteration in the German press of the opinion that the reparations burden cannot be borne indefinitely. This may be discounted as propaganda for further reduction.

GERMANY GETTING READY FOR PROSPERITY

There seems to be general agreement that the worst of the German depression is past, and that business revival is incipient. The upward tendency showed itself first in the favorable development in the coal and iron market. As a result of the miners' strike in England, the export of coal was considerably increased. This resulted in a slight reduction of unemployment, and the increased purchasing power of workers is benefiting all businesses, though slightly.

More significant than that, however, is the recent action of several German banks in increasing their capital stock. That this should be done while Germany is enjoying such easy money as she is now is evidence that German bankers, looking ahead, forsesee in the near future a demand for capital and credit from German industry which will make use of all the available resources. For the present, however, the ease in credit is illustrated by the repurchase from an American syndicate of 40,000,000 marks of Deutsche Bank stock by a German syndicate.

Lincoln Eyre, writing in the *New York Times* says, "Like financial Arabs, the American bankers, who literally swarmed in Berlin a few months back, have folded their letters of credit and silently stolen away. They simply couldn't compete, so they said, with their German rivals." Mr. Eyre's conclusion from this is interesting. "There could scarcely be a more significant sign of Germany's growing prosperity than this exodus of envoys representing the most powerful banking institutions in the richest country on earth. Their departure meant the German banks were offering loans at rates below those Wall Sreet could offer, and that in turn money was plentiful in Berlin." Mr. Eyre, being a newspaper man and not a financier, evidently does not know that easy money is usually the result of business depression and lack of demand for loans, rather than of business prosperity. And yet one would think that he would take the trouble to learn the facts. The very fact that recent reports from Germany indicate that the money rate is stiffening are indicative of reviving business.

Most of the mushroom firms which sprang up in Germany during the inflation period seem to have been eliminated, for failures are barely 25 per cent. of what they were earlier in the year. There is now a strong movement toward combines and vertical trusts to reduce the costs of production. The report of the Direction der Disconto-Gesellschaft says that over 100 of such combinations have been formed since this time last year. Most of them have been in the iron production and iron using industries.

END OF COAL STRIKE IN SIGHT

Throughout the month of August there were repeated conferences between the mine owners and the striking miners in an effort to end the strike begun last May. The union is having more and more difficulty keeping the men from going back to work, and its attitude recently has become conciliatory, in contrast with the defiant attitude assumed at the outset of the strike.

The men are now willing to consider reduction of wages, but will not consent to any lengthening of the working day. They also insist that wages must be fixed by national agreements, rather than by district agreements. This last point is where the real difficulty comes, because both sides consider it as fundamental.

However, here and there groups of miners are reaching agreements with their employers and going back to work. Some few riots have resulted between those going back to work and miners who continue on strike. The total at work by the first of September was about 40,000.

This strike seems especially deplorable because there is a great deal to be said for both sides. Undoubtedly the miners were justified in registering a protest against an industry with a wage of only $13 a week. On the other hand, the mine owners cannot be expected to operate mines, even at that wage, if they can make no profits. The puzzling question is, why won't the industry support a better wage than $13? Evidently it is due to a partial breakdown of the theory of the capitalistic system. This theory holds that under capitalism, competition forces the use of the most economic methods of production, the use of labor saving machinery, etc., in order to make the largest possible amount of profits. But for some reason labor saving methods have not been applied to the British mines. Hence the production of a British miner is only about half of that of an American miner, who works with efficient tools, and the pay is correspondingly lower. In other words, the British miners are suffering from a condition which they are powerless to alleviate. If the strike results in impressing on the minds of the mine owners the necessity of reducing costs by efficient use of machinery as well as by reducing wages, it will have partially justified the misery it has caused, and the hampering effect it has had on British trade.

SOCIALISTS AT ODDS IN BRITAIN

It is a common thing to find uneducated socialists are persons who have either no knowledge of economics or have warped ideas of the present organization of society. But it is surprising to find so intelligent a socialist as Bernard Shaw writing to a newspaper in England, protesting that by the deflation policy of the British Government, the amount of government bonds which he held had depreciated in value.

Even the socialist organ, the London *Daily Herald* could not stand this, and replied to Mr. Shaw in an editorial entitled "Blazing Nonsense." Whereupon H. G. Wells was drawn into the fight, and charged that the *Daily Herald* had replied to Mr. Shaw's economic reasoning with personal abuse. To which the *Daily Herald* replied that its article was merely a repetition of statements frequently made by the former socialist Chancellor of the Exchequer, Philip Snowden, and leaves it to the readers to decide whether he or Shaw shall be taken as authority on finance.

Like the French legislature lately, the socialists have always exerted comparatively little influence because they could not agree among themselves on a program and present a united front to the world.

BRITAIN FEARS GOLD EXPORT

As has been remarked in these columns before, the coal strike exerts a doubly bad effect on the foreign trade of Britain. First it reduces exports, by curtailing production in all lines, through shortage of fuel; and second, it increases imports of coal and other goods to supply the deficiencies of home production. This is increasingly evident in the weakness of sterling, which has become so marked as to cause talk about the possibility of gold exports in the near future. Only a speedy settlement of the strike can avert this possibility, though there is no question of Britain's ability to maintain the gold standard, even with gold exports.

BELGIUM STILL WORKING TOWARD STABILITY

Though her original plan for the stabilization of the franc was by no means a success, Belgium has not given up her attempt. The railways have been transferred to private ownership to remove a budget deficit from that source, it is proposed to do the same thing with the telephone and telegraph services, the budget deficit is being slowly reduced. All work on public improvements not considered immediately essential has been suspended by decree. Plans are now under way for the stabilization of the franc at around 3 cents. Though these plans are being kept secret, it is expected that they will be made public soon.

The iron and steel market in that country is showing greater strength. Following increases in domestic prices of coal, the government has restricted the export of coal to 250,000 tons per month. Wages of iron and steel workers, coal miners and cotton spinners have been increased recently. Flax spinners are busier. Conditions in the plate glass industry are satisfactory. The prospects for the wheat crop are fair, and foreign trade for the first six months of 1926 shows an increase over the same period in 1925.

These things are all reflected in signs of greater confidence in the stock market, and in a tighter tendency in the money market. It is to be hoped that better days are at hand for Belgium.

COMPARATIVE TRANQUILITY IN FRANCE

Though stable economic conditions have by no means been restored in France, the country is enjoying a brief breathing spell while the politicians are off on vacation. It is true there was a brief outburst from Clemenceau on the debt situation, but when President Coolidge followed his wise policy of ignoring such attacks, it was quickly forgotten.

This political quietude has had its effect on foreign exchange, and for almost a month the value of the franc has remained almost constant. Probably a good many people are deceived into thinking that France is again on the up grade. Such a belief is as fallacious as the belief that unlisted securities do not vary in value because one cannot read the quotations in the daily paper, as one can with listed securities.

Much yet remains to be done. In fact, the work has barely been started. But there is more evidence of a real intention to face the facts than there has been for some months. A decree has been promulgated making it compulsory to mix 10 per cent. of other grains with wheat in making flour for bread. Another decree specifies that only two meat dishes will be allowed at a meal, soup and dessert not being included. The Premier considers this measure "indispensable to put an end to exaggerated consumption, particularly in luxury establishments especially frequented by foreigners." Edwin L. James, commenting on this in the *New York Times*, says, "With all due respect to the Premier, observation shows that it is more often the French than the English or Americans who constitute a majority of the visitors to France who order expanded repasts.

"When an American has had soup, fish, meat, and dessert, he generally considers it enough; whereas when one runs up against a ten-course dinner at Foyot's, Ciro's, La Perouse's or La Rue's, the chances are it is the result of a conversation between the head-waiter and a Frenchman."

Another measure which will probably prove less effective so far as any real relief is concerned, proposes a rigorous control of wholesale and retail selling prices. It has often been reiterated in these columns that these artificial measures for controlling prices are treatments of the symptom instead of the cause. The cause of the constantly rising prices is the steady depreciation of the value of the franc, and until that is stopped, prices will continue to rise, no matter if speculation is entirely stopped and all the middlemen eliminated.

Finally, it is reported that the government is making efforts at economy. Various departments are to be consolidated, and useless officials and dignitaries are to be crossed off the pay-rolls.

BUSINESS ACTIVE

Business continues active in France, especially in iron and steel and coal mining. There is little unemployment. The most unsatisfactory feature is the constantly rising wholesale prices. They have almost doubled in the last six months. Money is becoming increasingly tight as prices advance.

The foreign trade balance for the first seven months of 1926 has been a heavy import balance, though July showed an export balance, caused largely by decreased imports.

It was recently reported that the directors of the Credit Lyonnais discovered an attempt of American interests to buy control of the bank, and hastily met and altered the statutes so as to insure the continuance of French control. There is considerable doubt as to whether this report had any basis in fact.

BANK SCANDAL IN NORWAY

Just before adjourning for the summer, the Norwegian Storting impeached the former Prime Minister, Abraham Berge, on an old charge. It is based on his unauthorized action in the crisis of 1923, when he deposited 25,000,000 kroner of treasury bills with Den Norske Handelsbank, which was then trying to stave off a run. The chief criticism seems to be not that he gave the assistance to the bank, but that he did it secretly, without the knowledge of the Storting. His defence was that it had to be done secretly or not at all. Although it was the general opinion at the time this deposit was made that the bank would withstand the run, it subsequently went under, and the money was lost.

Though the krone has been practically stabilized at about 22 cents, business in Norway is still stagnant. This is evident in more plentiful supplies of money. Unemployment has declined slightly. The shipping industry has benefited by the English coal strike in a larger employed tonnage and better rates. The trade balance has shown a distinct improvement through reduced imports and increased exports, both due largely to the lack of industrial activity.

The general depressed conditions have resulted in unsatisfactory labor conditions. There has been a strike in the paper industry, and others are threatened in the electro-chemical and other industries.

The root of the whole trouble seems to be now a fear that the stability of the exchange which has been achieved is not permanent, since it does not represent parity. Furthermore, considerable withdrawals of funds have been reported, which does not make for confidence. Not only stability, but confidence that that stability will be maintained, is what business men ask before they embark on contracts.

STABILITY IN SWEDEN

Quietness is the best word to describe the situation in Sweden. Business is not active, credit demands are not heavy, therefore, money is easy. Wholesale and retail prices are holding rather well. Conditions seem favorable for business revival.

TRADE SLACK IN DENMARK

Much the same conditions prevail in Denmark, where the slackness of trade is reflected in the trade balance, which shows an excess of exports, this being ascribed chiefly to the use of the shipping vessels in the transportation of coal to England because of the coal strike there.

The krone is practically at par, the national bank has repatriated its holdings of foreign exchange, has written off its losses on exchange, and stands ready for the re-establishment of the gold standard which is expected with the new year.

FINLAND AN EXCEPTION

Finland is the only one of the Scandinavian countries which is showing real improvement in business. It began in June with an improvement in foreign trade (which the other countries are all experiencing now). Then lumber sales showed a substantial increase, and there was further expansion in the pulp industry. The crop report was satisfactory, and easy money encouraged revival of business. Lumber shipments during July established a record, but the advance now seems to be checked by the coal strike in England, for England is one of Finland's best customers. However, it is hoped that an increased demand from European markets will supply this deficiency in the near future.

MARKED REVIVAL IN POLAND

The British coal strike, which has proved to be such a boon to most of the depressed countries of Europe has been a veritable godsend to Poland. It dominates the whole situation, and has substantially improved the position of the Bank of Poland, allowing it to replenish its reserves of foreign currency so that it was possible to restore free dealings in foreign exchange in Poland. The state railways have benefited by the increased coal exports, bringing in increased revenues to the government, and orders to additional cars to the manufacturers. All these things have served to materially cut down the number of unemployed persons in Poland.

KEMMERER COMMISSION COMPLETES TASK

The plan to restore stability to the zloty, on which Professor E. W. Kemmerer and a commission of experts have been working for some months, has been completed, and tentatively adopted by the Bank of Poland's advisory stockholders' board. The plan, as usual, is based a good deal on the American Federal Reserve System, with suitable modifications to suit local conditions. For example, where a 40 per cent. reserve is required in the United States, the Kemmerer report states that the 30 per cent. reserve now maintained against Polish currency is higher than necessary, and may be lowered in cases of emergency, provided, however, that a cumulative tax is paid on notes issued against the depleted reserve. Further details of the plan are not available at this time, but it is said that most of the commission's recommendations have been already enacted into law.

NEW GOVERNMENT FOR GREECE

President Pangalos, who has been ruling almost as a dictator in Greece for several months was ejected from office on August 22 by a revolution engineered by General Condylis, supported by the army, the navy, and the provincial garrisons. The revolution was accomplished during the early hours of the morning, almost without resistance. A melodramatic incident happened when Pangalos was placed on board the destroyer Pergamos to be taken to Athens. The commander of the Pergamos, being in sympathy with Pangalos, attempted to run off with him, but after a short chase he was forced to abandon that idea

In his statement of justification General Condylis explained that the revolution was engineered to realize a sound reorganization of the armed forces and administrative machinery of the country. He accused Pangalos of disregarding constitutional rights and promises given to the nation fourteen months ago.

He attempted first to form a coalition government, but failed because Mr. Tsaldaris, leader of the popular party and M. Demertzis maintained that the office of Prime Minister should not be held by a military man, meaning Condylis himself. Condylis feeling that with the present state of affairs he must be at the head (though he disclaims any personal ambitions) thereupon abandoned the idea of a coalition, and formed the following cabinet: General Condylis, Prime Minister and Minister of War and Marine; Professor Petmezas, Minister of the Interior and Temporary Communications; M. Margyropoulos, Minister of Foreign Affairs; M. Drossopoulos, Governor of the National Bank and Minister of Finance; Professor Trinatfyllopoulos, Minister of Justice;

M. K. Lubasnakos, Minister of Agriculture; and Dr. Papas, Minister of Education.

Newspaper comment is inclined to view the revolution merely as the replacing of one dictatorship with another. That there is opposition to the present government is unquestioned for early in September there was an unsuccessful revolution against it.

In spite of political difficulty, in spite of the money shortage, in spite of the continual fall of the drachma, business in Greece continues fairly active.

AUSTRIAN NATIONAL BANK RATE REDUCED

Like all countries whose currencies have been stabilized after a period of inflation, Austria is undergoing a readjustment with depressed business. This has resulted, as always, in a relative abundance of money, and the Austrian National Bank, finding itself with a reserve of over 70 per cent., and its customers getting external loans instead of using its facilities, reduced its discount rate on August 22 from 7½ per cent. to 7 per cent. There are signs that the business depression will not be of great length, with increased orders in the textile, iron and steel, and electro-technical industries and favorable crop conditions, which will increase the purchasing power of the farmers. Unemployment, however, shows no improvement as yet.

SEASONAL DULNESS IN NETHERLANDS

After almost a year of good business in The Netherlands, following the reestablishment of the gold standard there, there has been a seasonal dulness. Trade has been waiting on crop reports, for the crops in The Netherlands promise to be very good this year. The trade in coal which has sprung up from the coal strike in England has stimulated shipping so that many vessels have been forced to wait outside the port of Rotterdam for berthing space.

Money is still very easy, with little demand for the credit facilities of the Netherlands Bank. There is an upward tendency in money, however.

BOYCOTT AFFECTING MEXICO

The boycott in Mexico, resulting from the religious dispute is having its effect by causing a considerable trade depression, which grows with the passage of time. The *Commercial Weekly Bulletin* issued by the Consulate General of Mexico in New York, however, categorically denies that the deposits of Mexican banks have decreased on account of the boycott, as was reported in a former issue. The boycott is particularly effective in luxury trades.

In spite of repeated efforts of the church to have the Calles decrees suspended, or to come to some sort of an agreement, no progress whatever has been made, and all indications point to its being a long drawn out fight. Business men are very pessimistic, but there seems nothing they can do about it.

Early in the month of August, a premium appeared on gold, or rather silver depreciated, and caused considerable alarm among business men and financiers. There were rumors that concerted action would be invoked in the attempt to "peg" the silver peso. Later Finance Minister Pani appointed a committee of experts representing all important banking and financial institutions in Mexico to investigate the economic situation and fluctuations of exchange. It is to be headed by Daniel Aguilar, chief of the technical financial department of the treasury. It will recommend measures, political, economic, and fiscal for the stabilization of exchange and the improvement of the general economic situation. For business conditions in Mexico were not good even before the boycott, and in one sense the boycott has not produced depression, but has made a bad depression worse.

Banking opinion holds that the depreciation of silver has no connection with the boycott. It is due to the fact that the government has been accumulating gold to bolster up the reserve of the Bank of Mexico, and in order to make the payment on the foreign debt, and this withdrawal of gold from circulation, which was considerable, is what caused it to go to a premium.

And, in spite of the difficulties of the situation, the government has deposited with the International Committee of Bankers on Mexico the regular monthly payment for August on account of the half yearly interest due January 1, 1926, on the public debt of Mexico. In making the deposit, Arturo M. Elias, Financial Agent of Mexico in New York, stated that the boycott had not had any appreciable effect on government revenues, or state taxes.

BUY-AT-HOME DRIVE PROPOSED

The government is planning a counterattack to the boycott in the shape of a "Buy Mexican Products" drive. Government departments are to be instructed to buy foreign articles only when the same articles are not manufactured in Mexico. The governors of the various states are to be asked to co-operate in the same manner, and President Calles has addressed a letter to the Federation of Chambers of Commerce on this subject. If this succeeds, it will not only help domestic business, but will strengthen exchange by decreasing imports.

SOUTH AMERICAN TRADE

Trade is still slow in Argentine. Commercial collections are poor, and money is tight. The crop prospects are good, but conditions are highly uncertain. Most import lines are still heavily stocked, and exports are still below normal. No signs of revival are yet evident.

Chile, however, is recovering from her depression. Retailers are clearing out their lines by feature sales, and the volume of wholesale and import trade is increasing. Imports have been fairly good, and the outlook is encouraging.

There is a tendency toward improvement in Brazil also, though it is less marked than in Chile. Money is still very tight, but more of it is available, and stocks are moving slowly. Import and export trade is below normal, and textile sales are extremely slow, as are leather sales. However, the automobile trade is holding up very well.

Business is dull in Uruguay, with very little activity in exports. The textile industry there has been stimulated recently, and there is a brisker demand for cotton and yarns. Money is quiet, and the peso is fairly stable and almost at par.

There is a tendency in Bolivia toward emergence from the business depression. The most pronounced recovery was in the major mining activities, with the exception of lead. Next in importance were increases in sales of construction materials, hardware, petroleum products, and office supplies. Imports and exports are both running over normal levels.

Peru is still having trouble with her exchange, though the pound is still advancing. Business is still poor, and foreign trade is below the level of a few months ago.

Venezuela, which has been referred to before as the bright spot in South America, is enjoying quiet but good business. Good prices are being received for coffee, and considerable shipments of it have been made. Imports of cement, construction materials, flour, dry goods, staple foodstuffs, and automobiles into Venezuela continue heavy. A great deal of this prosperity may be attributed to the development of the petroleum fields in Venezuela. So rapid has been the recent development that the exports of petroleum for the first six months of 1926 almost equalled the total exports of petroleum for the full twelve months of 1925. A new steamship line, the Linea Venezolana, Inc., has inaugurated a bi-weekly freight service between New York City, La Guaira, Maracaibo, and Porto Colombia, Colombia.

RUSSIA STARTS ECONOMY CAMPAIGN

Not so much has been heard of the depreciation of the chevronetz in Russia as was during June. What is bothering the leaders now is how to get food for the "proletariat," which has been running Russia since the revolution. The peasants are tired of the "dictatorship of the proletariat," under which they sell their grain at pre-war prices, and pay three times pre-war prices for the goods produced by this "proletariat." Furthermore, the brief liberty which they have had from the despotism of the former government has given them a sense of their own power. They are no longer disposed to submit to anything so long as they are permitted to live. They will resist, perhaps passively, but nevertheless, effectively.

This was done last year when they held their grain, instead of selling it, thus creating a food shortage, and causing Russia's exports to melt away into thin air. The government, having no exports to pay for imports, and having used all the gold paid for previous exports, had no choice but to reduce its campaign of expansion.

Evidently it learned its lesson, for now that there are evidences that the peasants intend to keep their grain again this year, rather than sell it at a low figure in order to buy high priced manufactured goods, the men in control are urging an economy campaign. Stalin, Rykoff and Quibesheff, who have control of the government, have issued a statement to this effect.

"The economy campaign," they say, "proceeds from the fact that Russian industry cannot develop with needed speed on its own assets, and because additional assets are necessary. These assets must be found within the country. But in view of the present conditions of economic administration and in view of the present expensiveness and bureaucratism of the apparatus, these assets are not forthcoming.

"It is, therefore, necessary to reduce, cheapen, and simplify the productive, transport, commercial, co-operative, administrative, and other apparatus in order to release now and for the future hundreds of millions of rubles and to apply them to the industrialization of the country.

"There are two ways of obtaining these hundreds of millions. One way is to strip the peasants to the utmost, squeeze from them the maximum assets and apply these squeezed assets to the needs of industry.

"Some groups (namely, the opposition groups) are trying to push the government along this way. But it cannot be followed, because it means a cleavage of the working class from the peasantry, rupture of the unions of the peasants and workers, a smash of the proletarian dictatorship, impoverishment of the peasants, and perhaps the weakening of industry itself.

"The other way is a rigorous restriction of the administrative and other apparatus from top to bottom, and thus by a reduction of costs, the providing of the hundreds of millions needed.

"The economic and administrative apparatus spends 2,000,000,000 rubles a year. There is no shadow of a doubt that it is possible to cut this by three or four hundred millions, which can then be applied to the needs of industry. It is not only possible but absolutely necessary.

"There are the two ways. There is no third."

Economic Life says that the inefficiency has been so great that overhead expenses have added 40 to 60 per cent. to the cost prices of goods. This is not surprising, since foreign credits were obtained only on "extraordinarily unsatisfactory terms, 40, 50 and even 100 per cent. per annum." If this can be changed, it will be the most sweeping development since the introduction of the new economic policy in 1921. But the Soviet is still embarrassed by lack of money. Having wasted what they had of this necessary commodity back in 1917, under the misguided impression that they could abolish money, and having been forced to revise their opinions considerably, they find themselves in an awkward position.

For even before the war, Russia was accustomed to receiving on an average $100,000,000 of outside capital every year, and now finds it difficult to get any, in spite of the fact that the machinery is needing replacement, in spite of the desire to greatly expand production, and in spite of the fact that few foreign countries desire to lend money in a country so politically and economically unstable.

INDIAN LEGISLATION ON SILVER

The September letter of the National City Bank of New York devotes a section to the recently promulgated report of the Royal Commission on Indian Currency and Finance of which the following is an excerpt:

Prior to 1893 India had the single silver standard, the principal coin being the rupee, which with silver at 16 to 1 was worth about 44 cents. Following the demonetization of silver in Europe and with the continuing increase of production, the instability of the value was so great that in the opinion of the authorities of India it was no longer suitable to serve as the standard of value, and the Herschell commission was appointed to consider what should be done. This committee recommended that the free coinage of silver be stopped, and this was done. At that time it was generally thought, particularly among the advocates of silver, that this act would destroy the market for silver, but it did not do so. Although the Indian mints were closed to silver on private accounts, the government began in a few years to buy silver bullion and issue silver coins on its own account, regulating the volume in circulation in such manner as to give them a fixed relation to the sovereign. In short, it adopted the policy which the United States had followed under the Bland-Allison and Sherman acts. By this policy, and by supplying exchange into and out of India to satisfy all demands, the Indian Government succeeded in stabilizing the currency at 15 rupees to the British pound. The Indian system became the world's classic example of what has come to be known as the "Exchange Standard," whereby an internal currency of paper or token coins is maintained at parity with gold by the use of small reserves but an effective control over foreign exchange transactions.

Two royal commissions deliberated upon the Indian currency system in the twenty years from 1893 to 1913. One of them recommended a gold coinage which was tried but developed no importance, for the simple reason that wages and the general scale of purchases are so small in India that gold coins are unsuited for common use.

The other commission reported that the gold standard had been firmly established without a gold currency, that the people of India did not desire or need a gold currency and that the essential thing was that the existing silver and paper currency redeemable in silver "should be supported for exchange purposes by a thoroughly adequate reserve of gold and sterling." This report was made in 1913, and the outbreak of the great war prevented any action upon it.

THE WAR DISTURBANCE

The great war played havoc with the exchanges everywhere, and affected the Indian monetary system in a peculiar way. The increased exports of India created a great trade balance in favor of that country and the demand for silver in settlement caused the price to rise above the established coinage rate, so that the entire silver stock of India had a bullion value above its nominal money value and a monetary crisis was imminent. The United States Congress came to the relief of this situation by passing the Pittman Act permitting the silver dollars held in the Treasury against silver certificates to be melted and sold to India at $1 per ounce, with the provision that the Treasury should repurchase an equal amount of silver bullion of United States production if and when this could be done at $1 per ounce, and that the melted pieces should be thus replaced. The supply of silver so obtained enabled the Indian government to tide over the critical situation.

In this confusion the former ratio between the silver rupee and the gold sovereign (15 to 1) had been lost, and in 1919 the fourth royal commission was appointed, to say what should be done about a new ratio. It recommended the ratio of 10 to 1, and the Indian Government attempted to carry out this proposal, but the price movement which had forced rupee exchange up culminated in 1920, and the government found its task impracticable. It expended £55,532,000 (approximately $250,000,000) in the effort and then abandoned it.

The fall of the rupee currency meant a fall of prices similar to that which occurred about the same time in the United States. The monetary and banking system and everybody who had anything to do with it were roundly denounced, the same as in the United States. A demand developed for a new monetary system, entirely divorced from that of Great Britain.

Apparently the idea prevailed in India that the gold exchange standard, which is admitted to have served the country quite acceptably from the time it was put into effect about 1898 until the war created the great disturbance in the exchanges, was a makeshift by which India was given a rather uncertain attachment to the British system, and that the arrangement was quite unsuited to so important a country as India.

In August, 1925, the fifth royal commission since and including 1893 was appointed to see what should be done about the monetary system of India. It was composed of ten members, eight of whom were residents of India, and two residents of London. The commission spent several months holding hearings in India at which it was developed that sentiment there was strongly for the establishment of a complete and independent gold standard system.

THE PROPOSED GOLD STANDARD SYSTEM

The Government of India apparently yielded to the prevailing opinion and submitted a plan providing for an uncompromising gold standard system, with gold coin in circulation, and silver coins and paper currency convertible into gold, silver to be legal tender only to 50 rupees. The amount of gold required under this plan, as estimated by the authors of the plan, was £103,000,000 (about $500,000,000) of which about one-half would be wanted in the first year, and the remainder over five or ten years.

According to the estimate, the government would have about 687,000,000 fine ounces of silver for sale, an amount equal to nearly three times the world's annual production at the present time.

OBJECTIONS TO THE PLAN

After closing the hearings in India, the commission moved to London and opened hearings, inviting opinions upon the plan. It soon learned that there were strong objections against both the gold and silver features.

London did not view with favor a proposal which contemplated a requirement of $500,000,000 of gold for the Indian monetary system, in addition to the usual Indian absorption for ornaments and hoards. The bulk of the demand might be expected to fall on London, and in view of the state of British trade and industry, the obligation to pay $160,000,000 annually to the United

States, and the fact that Great Britain herself has been back on the gold basis only about a year and needs time to fortify her position, this proposal seemed quite inopportune.

Continental authorities viewed it in the same light. All of Europe has been suffering from scarcity of working capital and bank credit, with high interest rates, and the reserves of London could not be lowered without tightening conditions in every money market of Europe. Belgium, France, Italy and Poland are needing help for the support or reconstruction of theii monetary system, and industrial recovery in Europe is largely dependent upon their getting it.

It seemed indeed an unfortunate time for India to be increasing her drafts on the gold supplies of the world, and particularly for the purpose of substituting gold for silver in common circulation. The general increase of industrial costs has affected mining costs in like manner, causing a falling off in the production of gold, while on the other hand the higher price level has made necessary a larger volume of credit in handling the turnover of trade and increased the requirements of all countries for gold reserves. What would be the effect upon the existing price-level of these proposed demands, and what the effect upon business of a possibly declining price-level?

INDIA'S RECENT ABSORPTION OF GOLD

In order to appreciate the significance of the proposal it is necessary to know what a large share of the world's production of gold has been taken by India in recent years in the form of bullion, although taken solely for ornaments and private holdings. In the five fiscal years ended March 31, 1914, the net imports of gold into India aggregated $472,415,000, or an average of $94,400,000 per year. Since 1913 the movement has been irregular, owing to the war and the violent fluctuations of trade, but in the calendar year 1925 it exceeded all records, private imports of gold bullion into India rising to slightly above $200,000,000, out of a total world's production of approximately $400,000,000.

The gravity of this movement is in the fact that gold taken by India does not remain a part of the world's monetary stock, as in the case of gold taken by any of the western nations. The gold stocks of Europe and the Americas may be shifted about from country to country and serve all countries continuously as a part of the world's capital employed in production and trade. These movements tend to maintain the industrial equilibrium and to stabilize prices in all countries in relation to each other. The gold which has gone from the United States to Germany in the last two years was added to the reserves of the Reichsbank and has not ceased to be a factor in prices in this country. On the other hand, the $200,000,000 imported by India in 1925 did not enter the banking reserves of that country, has not been devoted to investments or business purposes, and in all probability has been lost to the monetary stock of the world.

Under the circumstances the financiers and economists of Europe could not look with favor upon a plan which seemed to favor an increased distribution of gold in India. It should be understood that in the aggregate, the cash banking reserves of Europe and the United States actually diminished in the year 1925, the net movement being away from the financial centers to what may be called the outlying countries and districts.

DEFENCE OF THE PLAN

In fairness to the advocates of the plan it should be said that they defended the proposal on the ground that the people of India already knew how to obtain gold, as appeared from their importations last year, and that their inclination to take it would not be defeated by refusing to allow them the use of it as money; that on the contrary, the refusal to give it to them increased their preference for it over silver and paper money offered as substitutes. It was urged that recent experience had increased their suspicions of artificial systems and strengthened their belief that the British authorities were disposed to give them a monetary system not so good as was wanted at home for themselves, or as the rest of the western nations wanted. Sir Basil Blackett, the Financial Minister argued that the best way to stop the hoarding of gold was the time-tried method of stopping a run on a bank, i. e., by paying what was wanted freely.

All parties to the discussion agreed upon the importance of extending banking facilities throughout India, and of cultivating the banking and investment habit among the people.

LOOKING TO THE UNITED STATES

Although the proponents of the official plan were not surprised to meet with opposition in Europe they had been led to believe that the United States was overburdened with gold, in danger of inflation, and might be glad to get rid of some of its stock by exportation to India. Governor Strong of the Federal Reserve Bank of New York, and other witnesses from this country, explained to the commission that the gold reserves of the United States were all employed, if not to the limit of their capacity, as fully as they should be under normal conditions, and that this country was not eager to lose gold.

They explained furthermore that while the sound condition of Indian Government finances was well known in the United States, and under other circumstances an Indian loan could be easily placed, European needs would have to be regarded as more pressing in the immediate future; furthermore, that the feature of the plan dealing with silver would be very unwelcome in the United States.

THE MENACE TO SILVER

They pointed out that the United States, Canada and Mexico are the three countries leading in the production of silver, their aggregate in recent years being over 70 per cent. of the world's production, and that this country was largely interested in the production of the other two countries. The world's production is about 240,000,000 ounces, of which India has been accustomed to take about one-third. The proposal seemed to contemplate that India would become a seller on a great scale, and they urged that such a development would spread consternation among silver producers everywhere.

Even if sales by India were left out of the account, and the 687,000,000 ounces to be sold by the Indian Government were simply held to be gradually absorbed by the home demand, it was difficult to see how the current world's production could be disposed of outside of India. China was the next largest purchaser, but the action of India would almost certainly affect the policies of China, and affect the demand for silver everywhere. It would seriously disturb the confidence of the world in the future value of silver.

It was pointed out also that inasmuch as the bulk of the world's production of silver is now in connection with the production of gold, copper, lead and zinc, the production of all these metals would be affected, and the prosperity of the mining industry would be generally affected, and a very large sum of investments in the aggregate might be imperilled.

FINANCIAL AND ECONOMIC CONDITIONS IN CANADA

By J. W. Tyson

THE harvest in Western Canada, which is the dominating factor in the fall and winter business situation, has this year been accompanied by more than usually conflicting reports, due to weather conditions. After what had been regarded as quite general and largely irreparable damage from drought, there came reviving rains and important areas showed astonishing recovery, the full extent of which was not appreciated until the wheat was actually threshed. Not only had heads filled nicely where hope for even a fair yield had passed but the grade generally improved to a very important extent and this is a very real factor in relation to dollar returns. Under these favorable conditions early estimates of yield were revised upward as the harvest progressed. From 325,000,000 bushels the figures were advanced to around 375,000,000, which at an average price of, say, $1.25, would bring a very satisfactory return, although not as large an amount as the harvest of last year, when the yield was substantially over 400,000,000 bushels.

The harvesting of another good crop in the West to sell at fairly satisfactory prices is expected to have a direct effect on retail and wholesale trade in the prairie provinces and on the manufacturing industries of the whole country. Since the collapse of post-war agricultural prices, which were accompanied by largely expanded and often extravagant production, the wheat industry suffered and for several years debts accumulated. During the last three years there have been profitable crops as prices for farm products have advanced and costs of production have been reduced with more careful methods and the more general adoption of mixed farming methods. As a result it is anticipated that the harvest of 1926 will be a spending rather than a debt-paying one. Already there are substantial evidences that this is the case. There has been a marked improvement in the farm implement industry for example. As yet conditions have hardly returned to a normal state of health for the implement makers but the sharp advance in the prices of their securities on the stock markets has been evidence of the better conditions being enjoyed and anticipated. The motor industry is likewise benefited and the steel industries in general are healthily active. Altogether business is quite active although not enjoying the same extent of prosperity evident in the United States, and the improvement is expected to continue with the satisfactory agricultural situation as a foundation.

A larger measure of industrial and general prosperity is indicated by the lowest ratio of unemployment for the last five years. Agriculture, mining, lumbering and fishing are all active and manufacturers are finding a better demand for their products than for a considerable period. Profits are not in all cases satisfactory but show a distinct improvement. Summer building activity was reported as the best in fourteen years and the record for the year to date shows an increase of nearly 50 per cent. Pig iron production is about 40 per cent. greater than in 1925 and steel output has increased 11 per cent. Car loadings are running about 12 per cent. greater and gross railway earnings 13 to 14 per cent. better. Automobile production is up about 25 per cent. Bank clearings are higher by 9 per cent. The production of pulp and paper is unprecedentedly large and profits continue fairly satisfactory. Fear of over production seems to have largely passed with the return of business confidence in the United States and the outlook for a continued expansion of consumer demands there. Business failures are less in number and for a smaller total of liabilities. Cattle and dairy product exports have been somewhat smaller than a year ago owing chiefly to lessened demand in Great Britain.

Improved business is reflected in the government report of the chartered banks showing increased current loans. Bank circulation is also substantially higher. Commercial credits are greater by about $60,000,000 than a year ago. During the same period savings deposits increased by about $75,000,000.

CONDITIONS IN ARGENTINA IMPROVED

[A cable report received by the First National Bank of Boston from its Buenos Aires branch.]

GENERAL conditions in Argentina are slightly improved, but business is still dull pending the new export season. August failures amounted to $15,399,000. August bank clearings amounted to $2,685,000,000, against $3,014,000,000, $3,084,000,000, $2,852,000,000 and $2,570,000,000 in August, 1925, 1924, 1923 and 1922 respectively. The August combined bank statement is not yet published.

Grain shipments are small, especially wheat, though maize exports are increasing on account of better weather. Wheat prices are weak, being down 7 per cent., maize down 6 per cent., and linseed 7 per cent. The drop is principally due to high ocean freight rates. The first government estimate of acreage sown issued August 20 gives wheat as 7,700,000 hectares, linseed 2,550,000, oats 1,250,000, against 7,768,990, 2,509,450 and 1,292,530 hectares respectively last year. August shipments of wheat were 57,000 tons, maize 387,000, linseed 108,000. Surpluses on September 1 were 1,020,000 tons of wheat, 3,790,000 tons of maize, and 517,000 tons of linseed.

Cattle prices are weaker and the tendency is downward, due to abundant supply of good stock on account of excellent pastures. The sheep market is rather dull, with an average price drop of 10 per cent. August exports of beef were 572,000 quarters; mutton and lamb 172,000 carcasses.

The recent activity in wool reduced stocks to practically nothing. Prices are slightly firmer. August shipments amounted to 14,811 bales.

Frigorifico steer hide prices are up 4 per cent., cow hides 6 per cent., and both appear steady. Russia and Germany are the leading buyers. Dry hides are temporarily dull but anticipated firm due to small entries and declining production. Sheepskins are livelier lately. August exports of salt and dry hides were 779,000, calfskins 67,000, sheepskins 611 bales.

Buenos Aires customs revenues to September 15 were 7 per cent. below the similar figure for last year.

The bond market continues active, with prices up ¾ per cent. for some issues. Money is plentiful and rates are somewhat easier.

The exchange market is quiet, but exporters are commencing to sell futures in anticipation of the next export season, apparently expecting improvement in the peso, which appears steady to firm.

(All figures are given in pesos unless otherwise indicated. The present exchange value of the peso is approximately 40 cents.)

INTERNATIONAL BANKING NOTES

THE annual report of the Australian Bank of Commerce Limited, Sydney, for the year ending June 30, 1926, showed a net profit for the year, after providing for all expenses and for all bad and doubtful debts, of £207,943. From this amount the following appropriations have been made:

	£
Transferred to reserve fund	50,000
To reduction of bank premises account	10,000
To interim half-yearly dividend at the rate of 8 per cent. per annum paid January last	73,600
To additional half-yearly dividend at the rate of 8 per cent. per annum	73,600

The balance of £743 and the sum of £54,559 brought forward from last year total £55,303, which was carried forward to the next account.

During the last year branches have been opened at Perth, Western Australia, and at 162 Castlereagh street, Sydney. Receiving offices at Lyndhurst, in New South Wales, and Yeppoon, Queensland, have been converted into branches, and receiving offices have been opened at Merriwagga and Darlington Point, in New South Wales, and at Collinsville, Queensland. The receiving office at Rannes has been withdrawn.

Total resources of the bank stand at £16,789,590, paid-up capital £1,840,000, reserve fund £790,000 and current accounts £12,396,505.

THE statement of De Twentsche Bank, Amsterdam, as of June 30, 1926, shows total resources of florins 275,686,076, capital of florins 36,000,000, reserve fund of florins 13,558,834, and current accounts of florins 109,727,122.

THE statement of the condition of Skandinaviska Kreditaktiebolaget, Sweden, as of July 31, 1926, shows total resources of kr. 986,170,118, capital of kr. 87,188,000, reserve fund of kr. 94,812,000, and total deposits of kr. 564,670,605.

THE statement of the Commercial Bank of Australia Limited, Melbourne, for the year ending June 30, 1926, shows net profits of £400,276, including a balance of £82,569 brought forward from the previous account. This amount has been disposed of as follows:

	£
To reserve fund	110,083
To reduction of bank premises	20,000
To interim dividend on preference shares paid February, 1926	42,347
To interim dividend on ordinary shares paid February, 1926	55,666
To additional dividend on preference shares at 4 per cent. per annum for six months	42,347
To additional dividend for six months on ordinary shares at 15 per cent. per annum	63,692
Carried forward to next account	66,140

Premium on a new issue of shares, amounting to £204,916, has also been added to the reserve fund, increasing it to £1,000,000.

During the year branches have been opened at King street, Melbourne; Haymarket, Sydney; Hillston, Lake Cargellogo, Wentworth and Wellington in New South Wales; Kooringa, South Australia; William street, Perth; Adelaide street, Brisbane, Maryborough, Toowoomba and Yeppoon in Queensland; Hastings, Motueka, Nelson, Newmarket and Oamaru in New Zealand. The receiving office at Woodville, South Australia, has been converted into a branch.

Total resources of the bank stand at £26,930,131, paid-up capital £3,065,721, reserve fund £1,000,000 and current accounts £20,615,561.

THE annual report of the Commercial Banking Company of Sydney (Australia) Limited, for the year ended June 30, 1926, shows a net profit, after providing for all expenses, of £400,296. This includes the amount brought forward from previous account. This sum will be disposed of as follows:

	£
To payment of a dividend for the last half year at the rate of 10 per cent. per annum	175,000
To transfer to reserve fund	170,000
To balance carried forward	55,296

During the year branches have been established at Kurri Kurri, Mandurama, Tullibigeal, Waverley (Bondi Junction), and Weethalle in New South Wales, and at Winton in Queensland.

Total assets of the bank are £47,099,229, paid-up capital £3,500,000, reserve fund £2,830,000, and current accounts £38,539,204.

The semiannual report of the Kajima Bank, Ltd., Osaka, Japan, as of June 30, 1926, shows a net profit for the half year of yen 1,676,691. Subscribed capital amounts to yen 30,200,000, reserve fund to yen 6,000,000 and deposits to yen 183,906,201. Total resources of the bank are yen 238,353,686.

The "Big Five" banks of Great Britain are extending so rapidly throughout the country, according to an Associated Press dispatch from London, that for every church erected in a year, it is estimated that 100 banks are built. Banks are being erected ten times as fast as motion picture theaters.

The expansion of the "Big Five" banks has taken place since the war. They have entered into competition in every town in the country, spending millions of pounds in the campaign. Among them they own premises worth between £50,000,000 and £60,000,000 and are adding to them daily.

Each of the banks has opened on an average of one branch weekly for the last year. Famous old inns and shops in the market squares of the country towns are bought and pulled down to make room for the branch banks.

MANY FEATURES MARK PROGRAM OF FIFTY-SECOND A. B. A. CONVENTION

ADDRESSES by Dr. Ray Lyman Wilbur, president of Leland Stanford University; Garrard B. Winston, undersecretary of the United States Treasury; and Wigginton E. Creed, president of the Pacific Gas and Electric Company of San Francisco, were among the features of the general sessions of the American Bankers Association convention held in Los Angeles October 4 to 7. A full report of the proceedings of the convention will appear in the November number of THE BANKERS MAGAZINE.

These sessions were held in the mornings of October 5, 6 and 7 in the Philharmonic Auditorium and were presided over by the president of the association, Oscar Wells. A half-hour's orchestra concert preceded each session.

The program in detail follows:

Tuesday, October 5.—Invocation, the Rev. Elmer E. Helms, pastor First Methodist Episcopal Church, Los Angeles; address of the president of the association, Oscar Wells, president First National Bank, Birmingham, Ala.; report of the official acts and proceedings of the executive council; address by Dr. Ray Lyman Wilbur, president Leland Stanford University, Palo Alto, Calif.; appointment of resolutions committee; communications and announcements.

Wednesday, October 6.—Invocation, the Right Rev. John D. Cantwell, bishop of Los Angeles and San Diego; address, "The United States Public Debt" by Garrard B. Winston, undersecretary of the Treasury; report of the nominating committee and election of officers; report of the resolutions committee; communications and announcements.

Thursday, October 7.—Invocation, the Rev. Edgar F. Magnin, rabbi Congregation Bnai Brith, Los Angeles; address by Wigginton Ellis Creed, president Pacific Gas and Electric Company, San Francisco; unfinished business, new business, installation of officers; announcements; final adjournment.

The programs of the divisions and

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GARRARD B. WINSTON

Under-secretary of the United States Treasury and one of the principal speakers at the A. B. A. convention.

sections of the association follow. They indicate that all phases of the technical, economic, administrative and public relations problems confronting the nation's bankers were brought up for discussion during the convention week. These sessions were held the morning and afternoon of October 4 and on the afternoons and one evening of general convention days. In detail they are as follows:

State Bank Division, ball room, Los Angeles Biltmore Hotel, Monday, Oc-

The "French Phone"

THOSE who take pride in the appearance of their home or office, shun to every degree possible the too evident present day influence of standardization.

They carry out their ideas even to the telephone and use this beautiful equipment.

It is easily installed on your Desk in your Bank, or in your Residence.

Finished in
Nickel—Brass—Bronze
Silver Plate—Gold Plate
with or without the Dial

The Mor-Tel Corporation
Postal Telegraph Building
Suite 318-323
253 Broadway, New York
Phone: Barclay 6825

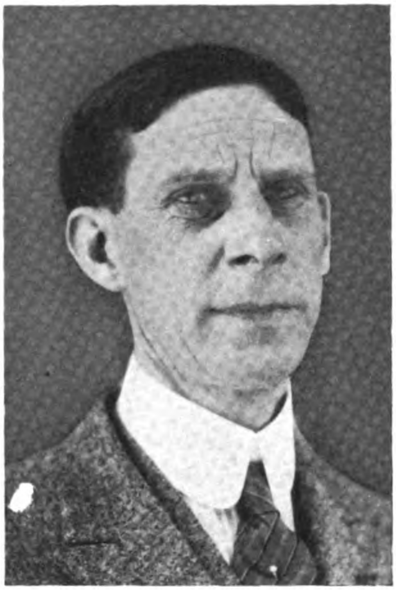
tober 4, 9.30 a. m.—Call to order and address by the division president, Grant McPherrin, president Central State Bank, Des Moines, Iowa; appointment of committees; address, "The Three C's of Success in Banking," Dr. Walter F. Dexter, president Whittier College, Whittier, Calif.; address, "Better Banking," Craig B. Hazlewood, vice-president Union Trust Company, Chicago; ten-minute presentations of the following topics, followed by general discussion from the floor: "Agricultural Problems," S. J. High, president Peoples Bank and Trust Company, Tupelo, Miss.; "Credit Files," M. H. Malott, president Citizens Bank, Abilene, Kan.; "Service Charges," Dan V. Stephens, president Fremont State Bank, Fremont, Neb.; "Some Problems of a Bank Commissioner," Roy L. Bone, state bank commissioner, Topeka, Kan.; unfinished business, new business, report of committees, election and installation of officers.

NATIONAL BANK DIVISION

National Bank Division, ball room, Los Angeles Biltmore Hotel, Monday, October 4, 2.30 p. m.—Call to order and address by the division president, W. C. Wilkinson, president Merchants and Farmers National Bank, Charlotte, N. C.; appointment of committees; address, "Relations with Clients," W. W. Woodson, president First National Bank, Waco, Tex.; address, "Bond Departments and Investments," P. D. Houston, president American National Bank, Nashville, Tenn.; reports of committees, election and installation of officers.

State Secretaries Section, conference room No. 7, Los Angeles Biltmore Hotel, Tuesday, October 5, 2.30 p. m.—Call to order and address by the section president, Eugene P. Gum, secretary Oklahoma Bankers Association; appointment of committees; report of the secretary-treasurer; address, "County Unit Credit Bureaus," M. A. Graettinger, secretary Illinois Bankers Association; address, "County Unit Protective Plan," Miss Forba McDaniel, secretary Indiana Bankers Association; address, "The Rising Cost of Doing Business and Its Correction," Peter W. Goebel, president Liberty National Bank, Kansas City, Missouri; general discussion of the addresses from the floor; reports of committees, election and installation of officers.

Trust Company Division, ball room, Los Angeles Biltmore Hotel, Tuesday, October 5, 2.30 p. m.—Call to order



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DR. RAY LYMAN WILBUR
President Leland Stanford University, Palo Alto, Calif.

and address, "Our Thirtieth Birthday," by the division president, Francis H. Sisson, vice-president Guaranty Trust Company, New York City; address, "The Law and the Trustee," William Harrison Waste, Chief Justice Supreme Court of California, San Francisco; address, "Insurance and Trust Company Co-operation," George I. Cochran, president Pacific Mutual Life Insurance Company, Los Angeles; open forum, current fiduciary topics; election and installation of officers.

[Continued on page 549]

ADVERTISING "CLINIC" AND PLANS FOR F. A. A. EXPANSION FEATURE DETROIT MEETING OF BANK ADVERTISERS

AN advertising "clinic" at which was reviewed a composite of fifteen briefs submitted on the preparation of an advertising program for a hypothetical bank in a city of 175,000 people that has total resources of $15,000,000 given an appropriation of $10,000 annually to spend on advertising, was one of the outstanding features of the eleventh annual convention of the Financial Advertisers' Association, held at the Hotel Statler, Detroit, Mich., September 20 to 23.

The convention was attended by nearly 300 financial advertising managers representing leading banking and investment houses of the United States and Canada.

C. H. HANDERSON
Newly elected president of the Financial Advertisers' Association and publicity director Union Trust Company of Cleveland, Ohio.

GUY W. COOKE
Assistant cashier First National Bank of Chicago and a former president of the F. A. A., who addressed the savings department meeting.

One of the most important steps taken at the convention was the formulation of a plan to increase the membership of the association by the addition of 500 new members by the end of the year. A drive with this end in view is to be begun without delay, and with the co-operation of its present members the association hopes to reach the quota sought. The plan contemplates the addition of 200 new members by March 1.

The association will also seek during the year to further the organization of local chapters in a number of the larger cities of the country. Local chapters are already well established and organized in Cleveland, St. Louis and Chicago.

The activities of the central office will also be extended through the appointment of a publicity committee of three men who will co-

DR. W. F. GEPHART
Vice-president and economist of the First National Bank in St. Louis, who was one of the feature speakers at the convention.

operate with the association's resident secretary in Chicago, Preston E. Reed.

Delegates to the convention were very appreciative of the hearty hospitality shown by representatives of the Detroit banks, who left nothing undone to make their visit to Detroit a pleasant and memorable one.

A. D. WELTON
Of the Meyer Both Bank Service, Chicago, who was chairman of the "Advertising 'Clinic.'"

Much credit is due Clinton F. Berry, assistant vice-president of the Union Trust Company of Detroit for the able manner in which, as chairman of the program committee, he planned and arranged the excellent program presented at the convention. In like manner is credit due to Harrison B. Grimm of the Security Trust Company of Detroit, chairman of the entertainment committee, Charles H. McMahon of the First National Bank in Detroit, chairman of the steering committee, Cedric A. Morris of the Union Trust Company, chairman of the registration committee, E. H. McIntosh of the Fidelity Trust Company, chairman of the transportation committee and other representatives of the Detroit banks for the capable manner in which they provided for the entertainment and comfort of the delegates.

CHARLES KETTERING
Vice-president General Motors Corporation, Detroit, one of the feature convention speakers.

THE ADVERTISING EXHIBIT

The exhibits of financial advertising on the ball room floor of the Statler, arranged under the direction of Burr E. Lee, advertising manager of the Second Ward Savings Bank of Milwaukee, while not as extensive as those at the preceding conventions, were more elaborate and more carefully and effectively planned. Almost 200 panels were presented by seventy banks and investment houses and fifteen organizations specializing in the creation of financial advertising. A list of exhibitors and number of panels exhibited follows:

American Southern Trust Company, Little Rock, Ark., two panels; The American Bank, San Francisco, Calif., one panel; Bank of Italy, San Francisco, Calif., two panels; The Exchange National Bank, Tampa, Florida, one panel; Florida National Bank, Jacksonville, Florida, one panel; First National Bank, Tampa, Florida, one panel; H. M Byllesby & Co., Chicago, Ill., two panels; Central Trust Company, Chicago, Ill., one panel; Depositors State Bank, Chicago, Ill., one panel; Foreman Trust and

RALPH PARLETTE
Humorist and author who spoke at one of the convention luncheons.

Savings Bank, Chicago, Ill., two panels, Halsey, Stuart & Co., Inc., Chicago, Ill., five panels; Illinois Power & Light Corp., Chicago, Ill., two panels; Northern Trust Company, Chicago, Ill., two panels; North-Western Trust and Savings Bank, Chicago, Ill., four panels; State Bank of Chicago, Chicago, Ill., three panels; Union Trust Company, Chicago, Ill., three panels; First Calumet Trust and Savings Bank, East Chicago, Ind., four panels; Evansville Morris Plan Company, Evansville, Ind., one panel; Homer National Bank, Homer, La., one panel; Canal Bank and

EDGAR GUEST
Widely known poet whose daily column is one of the features of the *Detroit Free Press.* He entertained the delegates with a recitation of some of his poems.

Trust Company, New Orleans, La., Hibernia Bank and Trust Company, New Orleans, La., three panels; The First National Bank of Boston, Boston, Mass., two panels; Detroit Trust Company, Detroit, Mich., four panels; Dime Savings Bank, Detroit, Mich., three panels; Fidelity Trust Company, Detroit, Mich., two panels; First National Bank in Detroit, Detroit, Mich., five

JOHN G. JONES
Director of sales and advertising Alexander Hamilton Institute, New York City, who addressed one of the general sessions of the convention.

panels; The Peoples State Bank, Detroit, Mich., two panels; Security Trust Company, Detroit, Mich., five panels; Union Trust Company, Detroit, Mich., five panels; United States Trust Company of Detroit, Detroit, Mich., two panels; Wayne County and Home Savings Bank, Detroit, Mich., three panels; Grand Rapids National Bank, Grand Rapids, Mich., one panel; Highland Park State Bank, Highland Park, Mich., one panel; The Minnesota Loan and Trust Company, Minneapolis, Minn., three

PAUL T. CHERINGTON
Director of research J. Walter Thompson Company, New York City, who addressed the opening session of the convention.

panels; Northwestern National Bank, Minneapolis, Minn., three panels; Fidelity National Bank and Trust Company, Kansas City, Mo., one panel; First National Bank, St. Louis, Mo., five panels; Lafayette-South Side Bank of St. Louis, St. Louis, Mo., two panels; Mercantile Trust Company, St. Louis, Mo., three panels; Mississippi Valley Trust Company, St. Louis, Mo., three panels; West Jersey Trust Company, Camden, New Jersey, two panels; Fidelity Union Trust Company, Newark, N. J., two panels; National Newark and Essex Banking Company, Newark, N. J., one panel; Henry L. Doherty and Company, New York, N. Y., one panel; The Equitable Trust Company of New York, New York, N. Y., five panels; The Morris Plan Company of New York, New York, N. Y., two panels; Citizens Trust Company, Utica, N. Y., one panel; Brotherhood National Bank, Cleveland, Ohio, one panel; Central National Bank, Cleveland, Ohio., three panels; Cleveland Trust Company, Cleveland, Ohio, three panels; Guardian Trust Company, Cleveland, Ohio, one panel; The Union Trust Company, Cleveland, Ohio, four panels; The Ohio National Bank, Columbus, Ohio, one panel; Bank of North America and Trust Company, Philadelphia, Pa., three panels; Integrity Trust Company, Philadelphia, Pa.,

H. G. HODAPP
Of the National City Bank, New York City, re-elected first vice-president of the association.

one panel; American National Bank, Nashville, Tenn., one panel; First Wisconsin National Bank, Milwaukee, Wis., five panels; Morris F. Fox and Company, Milwaukee, Wis., two pan-

CARL A. GODE
Manager advertising department Illinois Merchants Trust Company of Chicago, Ill., who has been appointed a director of the F. A. A. He retires this year as treasurer of the association after eight years of service in that post.

els; Second Ward Savings Bank, Milwaukee, Wis., one panel; The Canada Trust Company, London, Canada, three panels; The Bank of Nova Scotia, Toronto, Canada, one panel; The Royal Bank of Canada, Montreal, Canada, two panels.

EXHIBITORS—CREATIVE SELLERS

The Southern Banker, Atlanta, Ga., one panel; Wm. Elliott Graves, Inc., Chicago, Ill., five panels; Merrill, Price and Taylor, Inc., Chicago, Ill., one panel; Meyer Both & Co., Chicago, Ill., one panel; P. M. Reed and Banker Associates, Chicago, Ill., two panels; Doremus and Company, Boston, Mass., four panels; Ad-O-Grams, Inc., St. Louis, Mo., one panel; Bankers Service Corp., New York City, five panels; National Service Bureau of N. Y., Inc., New York City, one panel; The Collins Service, Philadelphia, Pa., five panels; Purse Printing Company, Chattanooga, Tenn., five panels; Staples & Staples, Inc., Richmond, Va., three panels; DePuy Publications, Des Moines, Iowa, one panel; Bank Advertising Service, Detroit, Mich., one

CARROLL RAGAN
Advertising manager of the United States Mortgage and Trust Company, New York City, whose term of office as president of the F. A. A. expired at the close of the convention.

panel; Bankers Extension Institute, Chicago, Ill., two panels.

HANDERSON MADE NEW PRESIDENT

At the close of the convention C. H. Handerson,

H. Ennis Jones
Assistant secretary of the Franklin Trust Company of Philadelphia, Pa., who has been elected a director of the F. A. A.

publicity director of the Union Trust Company of Cleveland, Ohio, was elected president of the association for the ensuing year. H. G. Hodapp of the National City Bank of New York was re-elected first vice-president, Kline L. Roberts of the Citizens Trust and Savings Bank of Columbus, Ohio, was elected second vice-president, C. H. Wetterau assistant vice-president of the American National Bank of Nashville, Tenn., was elected third vice-president, and E. A. Hintz, cashier of the Peoples Trust and Savings Bank of Chicago was elected treasurer, succeeding Carl A. Gode, advertising manager of the Illinois Merchants Trust Company of Chicago, who retires after eight years of service in that post.

New directors were elected as follows: Dale Graham, advertising manager Mississippi Valley Trust Company, St. Louis, Mo.; Minnie A. Buzbee, advertising manager Minneapolis Trust Company, Minneapolis, Minn.; A. Douglas Oliver, Provident Trust Company of Philadelphia; Carl A. Gode, advertising manager Illinois Merchants Trust Company of Chicago, Ill.; H. Ennis Jones,

Fred W. Ellsworth
Vice-president of the Hibernia Bank and Trust Company of New Orleans, a past president and one of the founders of the F. A. A., who presided over the savings department meeting at the convention.

assistant secretary Franklin Trust Company of Philadelphia; and H. J. Bernard of the Second National Bank of Houston, Texas.

The above named succeed the following who are retiring as directors of the association: Paul L. Hardesty,

Clinton F. Berry
Assistant vice-president of the Union Trust Company of Detroit, Mich., and chairman of the program committee for the convention, who has been elected representative, national advertising commission, International Advertising Association.

assistant cashier Union Trust Company of Chicago; Harry H. Johnson of the Atlanta and Lowry National Bank of Atlanta, Ga.; E. H. Kittredge of Hornblower and Weeks, New York; Ethel B. Scully, vice-president and treasurer of Morris F. Fox and Company, Milwaukee, Wis.; C. H. Wetterau, assistant vice-president of the American National Bank of Nashville, Tenn.; and R. E. Wright, assistant cashier of the First Wisconsin National Bank of Milwaukee, Wis.

Clinton F. Berry, assistant vice-president of the Union Trust Company of Detroit, was elected representative national advertising commission, International Advertising Association, to succeed C. H. Handerson, whose term expires with this year.

The mid-winter conference of the association will be held in New Orleans some time during the first week in March, 1927. At this conference the time and place of the association's next annual convention will be decided upon.

THE PRESIDENT'S ADDRESS

In his address to delegates at the opening session of the convention President Carroll Ragan said:

"The Financial Advertisers' Association, founded in 1916, has just completed one of its most interesting and promising years. As to the promising phase, I refer to certain new and pioneering efforts which, when reduced to their essentials, will be found to reveal a sincere purpose to help the individual member to render better service to his institution and his community. The chance to blaze new trails is one of the great lures of any calling. In ours there are always plenty of adventures to be met with and many of us have had our share. Some have left us sadder; all have left us wiser. But we welcome them and if it were otherwise we would not be associated in the work of this organization.

"The numerous ways in which advertising is prepared, produced and distributed are sometimes bewildering to the outsider. Much of it falls short of its objective, some is unsound, some is ill-timed. But the net result is positive, and there is no danger of too much advertising.

"The mosquito is the only thing I know of that over-advertises. Its advertising is in a class by itself. Its preliminary announcements are notoriously ill-timed, and the follow-up is entirely overdone, with the result that the most tempting prospects are often put on their guard and promising contacts are lost.

"Now while there is no danger of our emulating the mosquito, there is always the possibility that organizations of national scope may over-organize and, by lack of concentration, fail to bring maximum results to their constituencies. I do not consider that the Financial Advertisers' Association is over-organized; on the other hand I am convinced that recent departures from our well-marked course are indications of a basic desire to make our association increasingly useful. My confidence in this respect is the result of close observation during the past year, and will be supported by committee chairmen's reports which will be presented in due course.

"In this connection it is gratifying to be able to report a condition in the association's affairs which promises much for the future. Our year's program, which indicates a sustained progressive trend, has been supported with enthusiasm by every one chosen for the respective tasks. Ours is a voluntary organization. There is no one to issue commands or enforce discipline. Requests and suggestions suffice. And this is a good time to state that the spirit shown throughout our membership has been most gratifying. Word has been flashed to all points of the country, and everywhere the response has been prompt and effective. There has also been evidenced a fine sense of individual responsibility, which so delights the heart of the man with a big job on his hands. The wide diffusion of interest and almost equally wide participation in the association's activities bring to mind the retort of a celebrated Russian general who was asked to join the Soviet. The glories of the Soviet, with everybody sharing equally the work, glory, money and everything else, were dangled before him. I will not use the original Russian as some of you might not catch the delicate shade of meaning involved, but what he said was this: 'It may be all right but it looks to me like a case where everybody is somebody and no one is anybody.'

"In the Financial Advertisers' Association I am glad to state everybody is somebody and there aren't any nobodies.

"The year just closing has served to bring out in clearer relief than ever, the unselfish interest and ready co-operation of such men as Fred Ellsworth, Charley Wetterau, Guy Cooke, Al Bryson, Bob Izant, Clint Berry, Fred Staker, Gus Handerson, Fred Kehle, Paul Hardesty, Kline Roberts and a host of others who are never too busy to give time and thought to association problems. It would be difficult to imagine the association functioning without the help and inspiration of these veterans.

"The last year also brought to an end the active service of one of our most valued and affectionately regarded members—Carl Gode of the Illinois Merchants Trust Company of Chicago. Having served the association faithfully and efficiently for eight years, Carl relinquished the post of treasurer on June 30, and takes a well-earned rest. We were glad to welcome as his successor, Ed Hintz of the Peoples Trust and Savings Bank of Chicago, who, in the short time he has served, has already shown his ability to handle the association's financial affairs in a most acceptable manner.

"To our hosts in Detroit we are under deep obligations for the infinite amount of work and time they have devoted to our entertainment and comfort. Last of all, and here I must use the first person singular, I wish to express my gratitude to the members of the association for the confidence reposed in me, for their good wishes and for their hearty support throughout the year."

THE ADVERTISING "CLINIC"

Arthur D. Welton of the Meyer Both Bank Advertising Service, Chicago, chairman of the advertising "clinic" committee, announced the names of those who submitted the three prize winning briefs in a contest to distribute best a $10,000 advertising appropriation.

First prize, a gladstone bag, was awarded to C. H. Wetterau, assistant vice-president of the American National Bank of Nashville, Tenn. Second prize, a brief case, went to F. R. Kerman, vice-president Bank of Italy, San Francisco, Calif., and third prize, a fountain pen set, was awarded to Howard B. McAdams, publicity department, Fidelity Union Trust Company of Newark, N. J.

In presenting a composite of the fifteen reports submitted to the clinic, Mr. Welton said regarding the distribution of the $10,000 annual appropriation:

"A classification of the ideas of how to distribute the appropriation is of more than passing interest and, in regard to some points there is sufficient unanimity to make it comparatively easy. The difficulty of classification is met only in minor items but due to the fact that there was no system to follow billboards and car cards are not always distinguished. Sometimes both are covered under such a heading as posters. Window and lobby displays are united. Direct mail efforts are often divided as to material, for instance, statement folders and blotters are separated from leaflets, booklets and mass plan matter. Novelties, in which are included pocket banks, celluloid calendars and tablets, sometimes cover blotters also.

"With the exception of

the one contestant who began his brief with the statement that he was neither an advertising man nor a copy writer, there were points of agreement. With the one exception noted every contestant advocated newspaper copy. The amount of the appropriation to be devoted to that purpose varied but the variations were not great. One proposed an expenditure for newspaper space of $5000, and one was as low as $1800, but the general recommendation was from $2700 to $3600. The conclusion seems warranted that these fifteen men believe about one-third of the appropriation should be spent with newspapers.

"Billboards and direct mail share about equally in favor. Nine of the contestants made specific recommendations as to billboards. The amounts range from $600 to $3900, but the average is close to $2200, so we may say roughly that one-eighth of the appropriation should be given to outdoor or poster display.

"Direct mail is in high favor but with many variations of idea as to the manner of its use. The recommendations run from $250 to $6250, but they average close to $2000. One may well hesitate to say that there is argument that one-fifth of a $10,000 appropriation should be spent for direct mail advertising. The calculations of cost permit too many variations.

"Some of the contestants assumed the .... bank's equipment included mailing lists, addressograph and multigraph facilities and some included the labor costs. Six mentioned specifically the mass plan of distribution for savings particularly. Several included the cost of personal letters for the development of trust business and there was great divergence of opinion as to the merits of letters or booklets for safe deposit. Careful analysis indicates a disposition to spend about $3000, for direct mail advertising of all kinds.

"Window and lobby displays are popular but here, too, ideas of cost vary.

"The composite of the suggestions offered shows roughly about as follows:

"Newspaper space $3300, outdoor $1200, direct-by-mail $3000, window and lobby display $300, novelties and calendars $600, miscellaneous, including emergencies $1600.

"The miscellaneous recommendations cover a rather wide range. Included are trade letters, house organs or publications for savers, house organs for employes, dues to various associations, programs, hold-ups and blackmail, which are specifically mentioned, training of personnel, small banks, pocket memo books and, often, salaries. Omitting the item of salaries and allowing $1600 for emergencies, extravagances, blunders and whatnot, it would seem that the ...... National Bank would get along pretty well under the circumstances by spending for newspaper $3300, for out door $1200, for direct-by-mail $3000, for window and lobbies $300, and for calendars, blotters, novelties, etc., $600.

"We will agree, at least the committee thinks, that a year's campaign could be put on for that, and the rest would depend on how it was done."

THE PROBLEMS OF MEDIA

Paul T. Cherington, director of research J. Walter Thompson Company, New York, before the general convention, said regarding the problems of media:

"The media problems of the financial advertiser are the problems involved in reaching this huge, new market, and explaining to them in language 'understanded of the people' what banks and bankers, investment houses, and those who deal in trustworthy securities, can do to help them make their new prosperity secure

"The questions to be answered by any one selecting media for financial advertising may be summed up in about five or six lines:

"1. What is your message?

"2. Who are the people you want to reach?

"3. Does this particular medium reach them?

"4. Is its atmosphere, or standing, or personality suitable?

"5. Is it physically adapted to the message you have to convey?

"6. Is its cost in line with other means for doing the same thing?

"It is clear that before the question of media comes up, it is necessary to determine what is to be told, and to decide definitely on the market —the people to whom the message is to go. With these two points fixed the real media problems may be stated and solved.

"So far as what are known as national media are concerned, the amount of financial advertising is very small. In a total of forty-three publications the aggregate of financial advertising in 1925 was valued at less than $900,000 (or to be exact $890,004). This aggregate is less than a number of single manufacturers spent in the same media at the same time.

"It may be that there has not yet developed just the

WHO'S WHO IN BANK ADVERTISING

© HARRY A. COLE STUDIO

ALLAN B. COOK

Vice-president Guardian Trust Company of Cleveland, O.

MR. COOK came to Cleveland early in 1924 as manager of the business extension department of the Guardian Trust Company. He has since served that organization as assistant vice-president and vice-president. He continues to supervise the bank's new business and publicity activities. After graduating from Trinity College in 1913, Mr. Cook spent a year in London as a member of an American branch bank in that city, returning to the United States to become associated with the Bankers Trust Company of New York, with which institution he remained for several years. In 1920 he joined the John N. Willys Export Corporation as assistant treasurer, later serving as acting treasurer and as assistant treasurer of the Willys Overland Company of Toledo and its various subsidiaries. In 1922 he was made assistant treasurer of the Asia Banking Corporation at the bank's head office in New York, remaining there until his association with the Guardian Trust of Cleveland. Mr. Cook was for several years a lecturer at the New York University School of Commerce, Accounts and Finance. In 1923 his book "Financing Imports and Exports" was published by the Ronald Press. He is a frequent contributor to financial and trade publications. He is a member of the publicity committee of the Trust Company Division of the American Bankers Association.

sort of national medium best adapted to widespread financial advertising. But some of the existing media, both weekly and monthly, have been able to do a good job for investment houses and, in some instances, for banks and trust companies.

"The changes in the nature of the market, which have been outlined, are all of a character to increase the importance of national media. But as they are at present, these media have certain real limitations for financial advertising. The long necessary interval between closing date—or at least the last date on which copy can be accepted—and date of publication precludes their use for any advertising having an important time element.

"Again their wide circulation makes them practicable only for advertising items of wide and general interest; local matters, even in metropolitan centers like New York and Chicago, do not move the people of the provinces as much as we New Yorkers like to think they do.

"Another limitation on financial advertising in national media is set by the almost personal relations which many of them have with their subscribers. Some of these publications have an expressed or implied guaranty to make good any loss subscribers may suffer at the hands of advertisers. That is simple enough in the case of a single transaction. If a soap is poor, or a cream separator is wasteful the matter can be adjusted easily, and without great cost. But when a financial advertisement leads to the establishment of a connection between a subscriber and a financial house which may run on for years it is a different matter. A misunderstanding, a change of corporate ownership, a collapse of business conditions, any one of a number of accidents may impair the relations between a banking house and its client. And if he is one of the devoted followers of the magazine which introduced him to the house, his confidence in the magazine is bound to be shaken.

"This condition is another factor pointing toward the possible development of a special type of national medium specially adapted to financial advertising.

NEWSPAPER ADVERTISING

"The amount of financial advertising in daily papers doubtless is very large in the aggregate. In the five morning and six evening papers of Manhattan and the main three papers of Brooklyn the total spent for financial advertising in 1925 was about $6,354,000.

"The *Advertiser's Weekly* in a survey of financial advertising in sixty-six newspapers published in thirty-one cities found an aggregate lineage of 290,742 placed by forty-seven banking and investment houses. But there was no indication of the total amount spent, or of the amount of money outlay by cities. It is noteworthy that almost 200,000 of this total lineage was placed by fifteen houses, leaving 90,000 lines for the remaining thirty-two concerns.

"Because of the great variation in line rates between papers it would be impossible to convert these figures for lineage into dollars. But at the top rate charged for this kind of advertising by any Detroit paper this total space would be valued at nearly $150,000. This, in the aggregate, would not be a very heavy campaign for thirty-one cities, for any one of a half dozen manufacturers.

"Obviously when the problem is one of reaching, in any given locality, a large number of people and of giving them an easily comprehended general message no medium is to be compared to the daily paper. Moreover, in these days of audited circulations, it is possible to know just how many people are being reached by any good paper. In addition to these facts about quantity, a good deal of knowledge can be had about the qualitative factors in circulation. A newspaper with 30,000 subscribers, who have been won and are held as subscribers, by the high character of that paper's financial news, is probably a good medium in which to announce a new high grade bond issue. But if the task in hand is one which involves reaching those masses of people whose life is made up mainly of food, hosiery and emotions, then a pictorial tabloid full of knees and sobs is a better buy, even though some of its million subscribers cannot concentrate their attention long enough to get past your headline.

DIRECT MAIL ADVERTISING

"The personal income tax lists were a godsend to the financial houses which use mail pieces, or as they are commonly called 'direct-by-mail' advertising. These lists made it possible to develop graded mailing lists based on income. Any advertising financial house which did not take advantage of the publicity given these returns to compile good lists was asleep at the switch.

"A short time ago I heard a direct mail expert tell how he sold pleasure yachts to bankers by means of circular matter. My comment is that either the bankers are a particularly credulous lot of yacht buyers, or the mailing pieces were much better prepared than most of those I get from bankers. Dull in appearance, secretive and disingenious in content, wholly lacking in every virtue including the banker's cherished dignity, it seems incredible that most of them could influence anybody to buy anything, invest anything, sell anything, give anything, or even write for anything. Once in a long while one runs across a really well prepared piece of financial direct mail matter. But a great many of them look as if they had been prepared by the president of the bank himself. The preparation of such matter is an expert task for the best of specialists. And without any reflection on the ability of bank presidents in their own field it seems hard for some of them to realize that it is just as rare to find a bank president who is a good writer of direct mail matter as it is to find a good direct mail writer who is a good bank president.

"One of the virtues of direct mail advertising is its adaptiveness. If a house finds by experiment a group of two or three hundred people for example, who respond most readily to the turgid reticences of the president's style they can be fed with that while the rest of the list is given more persuasive treatment. At comparatively little extra cost, when lists are not very long, it is possible to adapt the appeal to the various parts of the market it is designed to reach.

"Whatever other medium proves to be useful in financial advertising, direct mail always will have its place.

OTHER ADVERTISING

"One large and successful banking house puts practically all its appropriation into New York theater programs. This it does on the theory that this medium reaches only those people in the New York market who have money to spend, and hence offers a large, selected circulation, which, considering the absence of the economically incompetent, is a better buy than newspapers at anything like the same price per thousand. It is, of course, a nice question how far this could go without impairing the medium. The tired business man who found it necessary to hunt through fifty pages of financial statements for the names of the cast might stay at the office instead of going to the theater. Nevertheless the house cited has used this medium for years and this is said to be done at the instance of its president, whose judgment as a buyer of most things is unimpeachable. In this connection it should be observed that the New York theater programs cover sixty-five theaters, which is more than the number of speaking theaters in the next eighteen cities combined.

"Some financial houses use only painted signs, some use only street railway cards, some prefer electric signs. Each of these is a suitable medium for some purposes but ill adapted to others. The main criticism that can be advanced against any of them is the frequency with which they are improperly used. A painted sign is no place for an annual statement; a car card is an unsuitable place for a description of a good buy in a security; not much of a real message about trust service for windows can be flashed in alternate red and white lights from the top of an abandoned brewery. And yet each of these media may get good results for a financial advertiser when rightly used. And right use is a matter for expert judgment.

"This by no means exhausts the available media, which for particular purposes and for special needs are doing a good job. Calendars, blotters, moving pictures, window display, racks with movable admonitions to thrift, desk trinkets and souvenir coins all have their devotees.

"But the real task of financial advertising is to be in helping the great influx of newcomers among people who can use banking, trust company, or invstment facilities to do it to best advantage. This will mean a careful selection of media, and an intelligent working out of what is to be said, making it specific, concrete and helpful. The error of the bank which advertised its friendly spirit till it was over-run with people who wanted its friendly touch is a case in point. Its promise was too general and its offer too sweeping.

"The day has passed when all of a bank's advertising task was done when it kept its name pleasantly and with dignity before a selected few people. Any good bank today has a variety of contacts with people unlike those of even a few years ago, and in this lies the seriousness of its responsibility. It is obliged to be helpful, specific and skilful as well as safe.

"There was a time, and not so very long ago, when almost any form of financial advertising was wasteful, suspicious or futile, or all these together. But in this country, at least, the ramifications of sane investment have been exceedingly rapid.

"It is possible, of course, to still sell bogus stocks in copper mines, oil wells or land companies; but that is not the sort of financial advertising we are discussing.

"The sale of securities of real value; the building up of an investment clientele; the persuading of newly made surplus funds to leave the stocking and the mattress and the broken teapot and put themselves in safe and productive channels; the development of proper habits of thrift and expenditure, the education of clients to a rational conception of what to expect from a financial house —the facilitating of the conduct of business—these are fields for constructive advertising which have hardly been scratched yet.

PRESENT-DAY SAVINGS ADVERTISING

Guy W. Cooke, assistant cashier the First National Bank, Chicago, in his address before the savings department meeting said regarding the present trend in savings advertising:

"We of the present day have developed a certain amount of style and technique, probably giving more attention to policy and plan than did those whose advertisements appeared before most of us here had any connection with financial advertising. Collectively we have followed many by-paths. Savings advertising is tied up with spending. The Christmas club, the Vacation club and the Save-to-Travel clubs are but instances of the present day tendency to offer inducements for savings that are not inherent to thrift. Banks have developed various plans for savings and insurance—savings and investment and savings and checking; all of these plans have been productive of and developed by excellent advertising. There is probably no form of savings advertising that has been so extensively used as that in connection with the Christmas Savings club idea and the other combinations mentioned while not so universal in their appeal nor so generally adopted by savings banks, offer advertising possibilities — advantage of which has been taken to the fullest degree.

"As yet savings advertising apparently has been able to offer little to meet directly the competition of partial payment buying. The practice of 'buy now, pay later' has gained considerably on 'you can do it better with cash.' Employes and customer ownership in corporations and speculative and semi-speculative investments have taken millions of dollars that might have once been results of savings bank advertising. Perhaps it is as well so. The old school of experience remains the best teacher and those who are responsible either for savings bank advertising or savings bank management or both may gain a reasonable degree of satisfaction in the fact that savings deposits in the United States have more than doubled in the last ten years.

"Savings banks have profited by advertising and the cause of advertising has been served by savings banks. The bank which advertises and its neighbor which does not pay the same rate of interest. The cost of the advertising is absorbed by volume. Progressive policy, evidenced by advertising, assures broader facilities, more comprehensive service and a better appreciation of financial requirements.

"Savings advertising no longer needs economic justification."

THE TREND IN TRUST ADVERTISING

Speaking before the trust department meeting on "The Coming Trend in Trust Advertising," Theodore Tefft Weldon, vice-president William Elliott Graves, Inc., Chicago, said in part:

"In looking over the trust advertising of the country, it can be grouped according to types in a measure. I would like to outline these types to you, but I am not going to quote examples to more clearly illustrate what I mean, as I am liable to tread on the toes of someone here who is larger than I am.

"1. Exceedingly brief copy which either fails to give the proper sense of importance to the subject on the one hand, or fails to develop it to a point of interest on the other.

"2. A superficial view of the subject which does not dig down into the vitals of trusts and estates administration.

"3. Simile and metaphor which are clever but frothy do not lend the seriousness and emphasis due the problems of wills, executors and trustees.

"4. Splendid attention-getting captions followed by weak and watery copy.

"5. Fine selling copy which is never read because of the lack of challenge in the headings.

"6. Illustrations which by their very mediocrity cry down the deep sincerity and worth of the subjects.

"7. Layout which is poorly planned and does not give the subject matter a fighting chance.

"Then we find the following outstanding merits:

"1. Excellent illustration and layout.

"2. Headlines that make a reader think of his own situation and intrigue him to probe the subject.

"3. Copy which convinces him of his need.

"4. Hooks which compel him to go into the matter more thoroughly and take what initiative is expected of him.

"5. A system of merchandising trust services to the prospects which results in business.

"A great deal of trust advertising is thoroughly good, while very little of it is thoroughly bad. Our problem is to pick out the flaws in it, strengthen the weak places, fill in the gaps and make it all better.

"Starting with trust newspaper advertising it would seem that it is too general It contains too much the feeling of philosophical argument—of propaganda. It is full of banalities, self-evident facts, bromides.

"It dwells on (1) what the trust company does: (2) its permanence; (3) how careful, experienced and competent it is; (4) comparison of the excellence of trust company service to the shortcomings of an individual.

SELLING THE READER ON HIS OWN PROBLEM FIRST

"This may all be very convincing and very necessary, but isn't it the moat around the fort rather than the picked soldiers to be sent out to press the attack? Will not the more successful advertising sell the reader on his own problem *first, then* tell him how to solve it, and finally tell him how important the trust company is to his plan?

"Perhaps your prospect—the average man on the street who has some money and expects to make a fortune before he dies—is worried about a son who is wild, yet whom he dearly loves and wishes to protect. Isn't this an opportunity for you to show how human and sympathetic you are, how you appreciate that the more worthless a boy is, often the more compassion his father feels for him? If you play on this subject and skilfully show this man a way out, he will come in and talk to you about it.

"Maybe his daughter will marry a spendthrift. The thought worries him. Does his wife know anything about business? Will she indulge in charities she cannot afford after he is gone? Is she easily swayed? Could she be sold an unsound investment? If she has a keen business mind, is she softhearted? Would she give in to the pleading of her children for financial indulgences, even against her best judgment? Does she need protection from this temptation? Are financial matters uncongenial to her? Would she appreciate being relieved from them?

"Has the prospect meddling relatives whose well-meant interference and advice may work mischief? Has he parents or dependents to whom he is now paying an income and does he wish it continued? He must remember that his heirs might cut them off, or if they did not do that, they might make it very unpleasant for those dependents by taking an attitude toward them which would prove even more disagreeable than poverty.

"Does your prospect like his wife's relatives? Does he understand that if she outlives him there is a grave possibility that all his property will ultimately go to her family and not a penny to his?

"The prospect will be more interested in knowing how much cash he should leave his executor to protect his estate from various death items, than to know that your trust company is permanent. It will strike him nearer home to learn why an executor, inexperienced in this highly technical work, may greatly overpay inheritance taxes and other probate expenses, than to hear the bald fact that a trust company is more efficient than an individual.

"How many false claims might be put over on an individual executor, how far he can be trusted, how he would handle things, his financial responsibility to pay for his own errors, are matters which are, of course, important to every testator. But they will not get his attention as quickly as those things which worry him more, such as how many states will tax his holdings upon his death, and how much his estate will shrink at the moment of his death.

"These are things which disturb the average man of wealth. Through your advertising you can whet his hunger for knowledge on these subjects and, in satisfying it, you can tell your whole story.

"The problem then becomes one of touching these vital points with authority and aptness, always weaving in a background of the trust company's efficiency, experience and permanence.

"The trend in trust advertising seems fortunately to have a tendency away from general propaganda, the bromidic, and to be steering a course toward the very definite problems which confront testators in the ever increasing complexities of modern business and modern life."

BOND HOUSE ADVERTISING

Edgar G. Criswell, manager financial department The Quality Group, presented, in his address before the investment department meeting, some of the stumbling blocks in the path of constructive bond house advertising, and suggested the following remedies:

"1. There ought to be more recognition of advertising—of advertising as the strong ally of every salesman in every bond house in the country. Every originating and distributing house should include in its personnel some man who is studying the advances of advertising for that house and showing how advertising can be applied to its sales problem—to its letters, circulars, booklets, advertisements.

"2. It seems reasonable to think that the partner or official in charge of sales might well recognize the advertising man as a definite part of the sales end of things and give him a place in that department. Sales and advertising managers are not often one and the same, but they must work together. They promote the same branch of the house's business, but in different ways. Sometimes it is logical to make the advertising manager an assistant sales manager, also. In some organizations each is a good job. And why not make the research man an assistant sales manager, too? That would make this official line-up: Partner in charge of sales as the sales executive, or a sales manager working under the direction of the partner in charge of sales, with the advertising and research men as assistant sales managers, using these specialists in the technique of advertising and statistics as his right and left hands. This plan would apply to the majority of bond houses. To those which operate on a large-scale basis, however, it should be made broader, for advertising applies not only to the detail of sales, but to the promotion of the house itself, and that is something over and above the question of sales. In such a case the advertising manager's proper place is as an officer of the firm or corporation. This type of advertising manager's work cannot be judged by day to day sales results alone. These results are peculiarly the responsibility of the sales manager and his staff. The advertising manager helps in achieving such results, but he does more. His work reflects to the world the character of his organization. He gives that character reputation, and that reputation helps solve other executive problems in addition to and apart from immediate sales.

His advertising strengthens the buying men in their search for bonds for their associates to sell. It promotes morale within the organization. It attracts a better class of employes, and cuts down employe turn-over. Especially does it hold salesmen to the house, and reduces the most expensive and important turnover item in the bond business. It adds, also, to the house's ownership of its own business, rather than sharing it with salesmen, or rather than giving salesmen the use of its facilities. It is these long-pull results which influence the entire functioning of an organization and add strength to every department, and they entitle the man who can produce them to a shoulder to shoulder place with other executives.

AGENCIES SHOULD ENCOURAGE ADVERTISING MANAGERS

"3. Agency men might well encourage the appointment of bond house advertising managers. They have a chance of developing something original and distinctive for their houses. Agency men never lost anything in the advance of the advertising managers of those houses which have made a conspicuous success of their advertising. These men always had good agencies working with them and have now. There is more chance of a bond house's advertising developing into a good account if the house is sufficiently interested to have its own man working out something fitted to its particular use. The agency still has a big job and it can save bond houses a lot of time and money. Its counsel and experience, its knowledge of the technique of advertising, and handling of checking and bills are very much worth having, and ought to be paid for.

"4. Much of the idea of 'publicity' that is prominent now in the minds of bond house partners keeps back the advance of advertising. The interesting facts of a bond issue have definite news value and so have developments in certain lines of trade or industry which have a bearing on investments, but matching one with another does not make good advertising. It puts the cart before the horse. It makes a partner say, as some have actually said: 'The notice is more important to me than the advertisement.' That's his poor notion of publicity, to which he has been misled by the publication and agency men, but it is not advertising. No business was ever built up out of notices, news items, or publicity. Notices play up to the partner's vanity; advertising builds his business. The business-building power is in the advertisements, and not in any single advertisement, but in the firm's *policy of advertising*, of which any one advertisement is only the outward and visible sign. There is no success in advertising outside of a *policy of advertising*. That's what the partner needs — advertisements, not notices—and what he needs from his associates is a solemn *policy of advertising* backed up by an appropriation of money to be spent for advertising each year, whether the market is down today or not—tomorrow it's likely to be up. Advertising is not for the yesterdays or todays, anyway; it is for the tomorrows, which we have reason to believe will be many and beautiful.

"If investment advertising is to be improved greatly it must be improved from within the bond houses. Partners will have to give some thought to the distinctiveness and individuality of their advertising, to developing a type of advertisement that stands for *their house*, and no other, as is the case in so many commercial houses and banks, and to using advertising as an inseparable adjunct of their sales machinery and as every bond salesman's friend and helper.

PLANNING THE CREDIT FILE

[Continued from page 498]

sheet "E", the comparison form "F", and the plain white direct information sheet are the only forms necessary in most instances for the credit file of the moderate size and smaller bank. They can be held together in the file along with letters and statements by means of a paper clip.

In the case of the larger bank it would probably prove worth while to have special colored sheets for both the direct information section and the indirect information section for the sake of uniformity. So far as form is concerned it need only be necessary to have a faint line printed for margin purposes or something of that sort. A different colored paper may well be employed for each section. No form is required for the correspondence section. There are several forms which can be employed to advantage in the miscellaneous section. A form on which inquiries may be listed, both mail and verbal, proves of value frequently. Also a form may be made for the listing of certain checks cashed. Making a listing of certain checks in this way will furnish a list of trade references when it is desired to make a revision of the file. An occasional review of the canceled vouchers in this way will often reveal other features of interest. Perhaps an easy way is for the investigator to look over the canceled checks before they are returned at the close of the month preceding the investigation. It would be fruitless to list all items; only those of most interest should be picked out.

One might enumerate a number of other forms to be employed in the credit file but such additional forms would probably be of a specialty character and should be designed by the particular bank desiring them to meet the circumstances and conditions desired.

There is more harm in having too many forms which cannot be properly maintained than in having a few forms in the file and keeping them in good condition.

MANY FEATURES MARK PROGRAM OF FIFTY-SECOND A. B. A. CONVENTION

[Continued from page 531]

CLEARING HOUSE SECTION

Clearing House Section, ball room, Los Angeles Biltmore Hotel, Wednesday, October 6, 2.30 p. m.—Call to order and address by the section president, Alexander Dunbar, vice-president and cashier Bank of Pittsburgh, N. A., Pittsburgh; appointment of committees; address, "Some Problems of Banking Today," J. Dabney Day, president Citizens National Bank, Los Angeles; address by Paul Shoup, executive vice-president Southern Pacific Railroad Company, San Francisco; ten minute presentations of following topics followed by a general discussion from the floor: "Interest on Deposits," R. S. Hawes, vice-president First National Bank, St. Louis; "Some Bank Economies," H. Y. Lemon, vice-president Commerce Trust Company, Kansas City, Mo.; "Standardization of Checks," R. M. Hudson, chief of division of simplified practice, United States Department of Commerce; "Bank Auditors," R. H. Brunkhorst, auditor Harris Trust and Savings Bank, Chicago; unfinished business, new business, reports of committees, election and installation of officers.

Savings Bank Division, ball room, Los Angeles Biltmore Hotel, Wednesday, October 6, 8 p. m.—Call to order and address by the division president, Thomas F. Wallace, treasurer Farmers and

Mechanics Savings Bank, Minneapolis, Minn.; appointment of committees; school savings pageant, directed by A. J. Gray, supervisor Los Angeles Banks School Association; address, "How Savings Depositors and Bankers May Prosper," B. C. Forbes, editor *Forbes Magazine*, New York; speaking contest on "The Value of a Savings Account," by four members of the Los Angeles chapter, American Institute of Banking; reports of committees; election and installation of officers; announcement of the winner of the contest and award of prizes.

HISTORY OF THE A. B. A.

In connection with the convention it is a noteworthy fact that since the American Bankers Association was formed in 1875 the resources of American banking have expanded more than 2000 per cent. of their volume of that year. That is, the assets of the banks of the country have grown from $3,000,000,000 to over $65,000,000,000 in the last fifty-one years. When the association was organized there were only about 3000 banks in the country, with aggregate capital and surplus of $850,000,000 and deposits below $2,000,000,000. Today there are some 30,000 banks, with capital funds of over $7,500,000,000 and deposits of $55,000,000,000. More than 22,000 of these banks are members of the association.

The American Bankers Association was started by seventeen representative bankers who met in New York City, May 24, 1875, at the suggestion of James T. Howenstein of the Valley National Bank of St. Louis. A brief meeting confirmed his belief that there was a demand for such an organization and a call was prepared for the first convention at Saratoga, N. Y. It was held there July 20 to 22, 1875, with about 300 bankers attending. A committee was appointed to draft a constitution and by-laws, and organization was completed the next year.

Following are the seventeen bankers who originally fostered the idea of this great, nation-wide association of banks: James T. Howenstein, Valley National Bank, St. Louis; George F. Baker, cashier First National Bank, New York City; Arthur W. Sherman, cashier Dry Goods Bank, New York City; Edward Skillen, cashier Central National Bank, New York City; Edward H. Perkins, Jr., cashier Importers' and Traders' National Bank, New York City; George W. Perkins, cashier Hanover National Bank, New York City; John M. Crane, cashier National Shoe and Leather Bank, New York City; John S. Harburger, cashier Manhattan Company Bank, New York City; Charles E. Upton, cashier City Bank, Rochester, N. Y.; John S. Leake, cashier First National Bank, Saratoga Springs, N. Y.; Amos P. Palmer, cashier Albany City National Bank, Albany, N. Y.; Royal B. Conant, cashier Eliot National Bank, Boston; Morton McMichael, Jr., cashier First National Bank, Philadelphia; John D. Scully, cashier First National Bank, Pittsburgh; Joshua W. Lockwood, cashier National Bank of Virginia; Logan C. Murray, cashier Kentucky National Bank; Charles C. Cadman, cashier Merchants and Manufacturers Bank, Detroit.

The second convention was held in Philadelphia in 1876. The aim of the association was there more definitely formulated as being to "promote the general welfare and usefulness of banks and banking institutions, and to secure uniformity of action, together with the practical benefits to be derived from personal acquaintance and from the discussion of subjects of importance to the banking and commercial interests of the country, and especially to secure the proper consideration of questions regarding the commercial and financial usages, customs and laws which affect the banking interests of the entire country." The words, "and for protection against loss by crime" were added to the foregoing at a later date.

A BANKER-POET

THERE is an erroneous idea going the rounds that business men live and breathe for business only. Nothing else matters, according to the general idea. When a business man, especially a banker, who thinks in terms of cold cash, goes out of the beaten path and writes poetry—good poetry—it usually comes as a sort of shock to most people. But after all, why not?

Walter S. Greenough, of the Fletcher Savings and Trust Company of Indianapolis, Ind., has, for years, been writing short stories, poems and articles for various magazines, and writing them successfully. His "Jethro Boggs," the biggest liar in seven states, is one of the best known poem-characters in the country. Banking institutions will remember his splendid article on community trusts that appeared in *Scribner's Magazine* two years ago as one of the finest monographs on the subject ever written. He has written on banking and business subjects for several of the larger financial publications. Mr. Greenough's family advised him to take up newspaper work, which he did—working on several papers. Later he entered the banking business, though he never quite relinquished his touch with printer's ink.

His first volume of poems is just being published, entitled, "Three Skallywags." These three lovable Hoosiers of the title, Johnny, Lije and Harrison Tate, are forever in some kind of mischief, full of fun and devilment from the time they sit in on a poker game till they celebrate on home-brew the visit of the stork to their three brides. And these three had vowed to eternal celibacy Easy-going, lackadaisical good-for-nothings, they had, at last, to buckle down to a practical world, but even so they retained in large measure their naturally bubbling spirits that even contemplation of fatherhood could never quite subdue. These verse tales of the Hoosier countryside are like a fresh breeze. There is a perfect riot of fun in them.

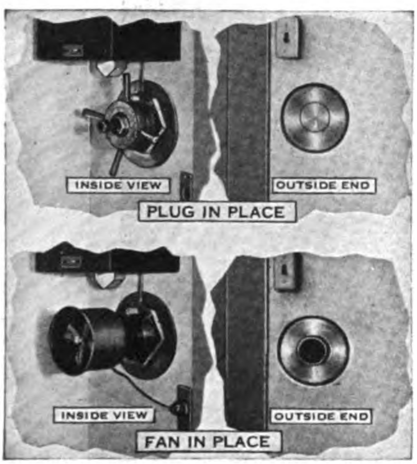
WALTER S. GREENOUGH

Banker-poet whose first volume of verse, "Three Skallywags," has just been published.

Mr. Greenough, a well-known figure in the banking and newspaper world, is married and the father of two husky boys. He is a direct descendant, he says, of Adam and Dan Webster, and was born in Brazil, Ind., in 1887. He is an alumnus of Indiana University, and carries an interesting war record.

A SOLUTION OF THE VAULT VENTILATION PROBLEM

THE problem of how to ventilate a bank vault without at the same time making it pervious to criminal attack has been a problem facing the vault engineer for some time. A new type of bank ventilator has recently been invented and perfected by M. G. West, a well known Pacific Coast engineer, which seems to offer an effective solution of this problem.



Device which solves the vault ventilation problem by providing forced draft ventilation.

The ventilator is by no means a mere "hole-in-the-wall" but, by drawing fresh air in and expelling the foul air, provides forced draft ventilation sufficient to make comfortable any number of people who may be locked in a vault. At the same time it is so designed as to afford not the slightest encouragement to, or opportunity for, burglarious attack.

The installation consists primarily of placing in the vault wall a heavy steel cylinder of a length corresponding with the thickness of the wall.

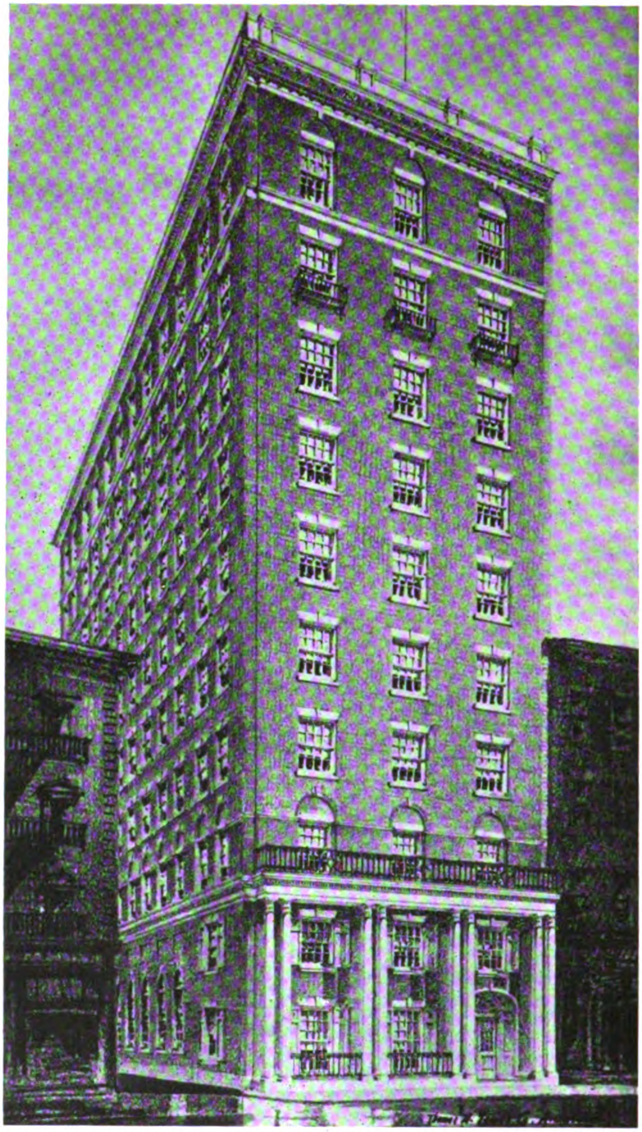
When not in use for ventilation, and during night hours when burglary attack must be guarded against, this cylinder is transformed into a solid mass of steel by the insertion of a close fitting core or plug so constructed as to offer full resistance to heat or drilling, and which, according to the burglary insurance requirements, more than matches in burglary-resistant strength, the wall in which it is placed.

This steel plug is screwed in and locked in position from the inside of the vault.

When ventilation is desired, the plug is removed, from the inside of the vault of course, and is replaced by a fan assembly kept in the vault for the purpose. This fan draws the fresh air through a central tube, while the foul air escapes through a vent afforded by the space between this tube and the cylinder wall.

As shown by the cut herewith, the device presents upon the exterior of the vault wall merely a polished steel disc, in the center of which appears the ventilation flue whenever the plug is withdrawn and fan assembly is inserted from within the vault.

The manufacture and sale of the device outside California is in the hands of the O. B. McClintock Company of Minneapolis. It can also be obtained from vault and safe manufacturers generally.



Bank and Office Building for Old Colony Co-operative Bank, Providence, R. I.

WHAT BANKS AND BANKERS ARE DOING

JAMES BRUCE, for a number of years associated as vice-president with the Baltimore Trust Company, Baltimore, Md., has been elected vice-president of the International Acceptance Bank, Inc., and of the International Acceptance Securities and Trust Company, of New York. Other appointments by the company include John A. Milholland, as assistant treasurer of the International Acceptance Securities and Trust Company; James P. Wood, manager foreign credit department of the International Acceptance Bank, Inc.; and Benjamin Strong, Jr., manager of the domestic credit department.

JOHN E. BARBER, vice-president of the First National Bank of Los Angeles and the First Securities Company, of the same city, has been decorated by the King of Italy with the Order of the Crown of Italy. Mr. Barber received the rank of commendatore, the highest grade of that order. The presentation was made August 12 by Count B. Gradenigo, Royal Vice Consul of Italy.

Mr. Barber was attached to the peace conference in 1918-19 as special commissioner of the Shipping Board. Two years ago he was associated with the committee of experts which formulated the Dawes plan.

MELVILLE M. GRIEG has been elected president of the National Service Bureau of New York, Inc., bank advertisers, to succeed his father, Robert Grieg, whose death occurred August 1.

The new president has been active in bank advertising circles for a number of years and is one of the original members of the New York company of the National Service Bureau, having served as secretary-treasurer and as a director since its organization.

The National Service Bureau is known for its "Don't Spend It All" thrift posters displayed in banks all over the country. Edgar Watson is president of the National Service Bureau, Inc., a Chicago company, with which the territory is divided by the New York organization.

GEORGE G. ALLEN has been elected a director of the Guaranty Trust Company of New York, according to announcement made by the president, William C. Potter. Mr. Allen is president of the Duke Power Company, vice-president of the British-American Tobacco Company and executor of the James B. Duke estate.

JOHN E. BARBER
Vice-president the First National Bank of Los Angeles, who was recently decorated with the Order of the Crown of Italy.

EDMUND PENDLETON ROGERS, one of the younger bank presidents of New York City, merits much of the credit for the noteworthy growth of the Fulton Trust Company, of 149 Broadway, New York, of which he was elected head in March, 1925. He succeeded the late Henry C. Swords, founder of the company.

E. P. ROGERS
President Fulton Trust Company of New York City.

Mr. Rogers was born in 1882 at Hyde Park-on-Hudson, N. Y., and received his A. B. degree from Yale in 1905. The following year he entered the employ of the banking firm of Maitland, Coppell and Company, of New York, working successively as runner, assistant paying teller and head of the corporate stock department and fiscal agency.

In 1909 he, with Aymer Johnson and Chalmers Wood, Jr., formed a stock exchange firm, in which he continued until 1913, leaving to go with the Union Trust Company, later the Central Union Trust Company, as assistant secretary and vice-president. In March of last year he was elected a director and president of the Fulton Trust Company. He is also a trustee in the Bank for Savings in the City of New York.

COLONEL J. B. CHAFFEY was elected vice-president of the California Bank, Los Angeles, at a recent meeting of the board of directors. He is also a vice-president of the California Group Corporation, the recently organized holding company of the California Bank and its affiliations. In his capacity as vice-president of the two organizations, Colonel Chaffey has charge of all the real estate activities of the California group.

MELVILLE M. GREIG
Newly elected president National Service Bureau of New York, Inc.

Colonel Chaffey is a son of George Chaffey, pioneer banker and developer of Ontario and the Imperial Valley, and a brother of Andrew Chaffey, president of the California Bank. He has been affiliated with the California Bank since November 1, 1922. Prior to that time he served as a lieutenant colonel in the United States army.

THOMAS LEWIS PIERCE, president of the Liberty Trust Company of Cumberland, Md., since 1922, has assumed his duties as first vice-president and director of the Providence National Bank of Providence, R. I.

Mr. Pierce, who is of an old New England family, was born in Portland,

THOMAS L. PIERCE
First vice-president and director of the Providence National Bank, Providence, R. I.

Me., and is a graduate of Bowdoin College. Before the World War, in which he was a major of infantry, he was associated with the Old Colony Trust Company, of Boston. Severely wounded and gassed, he was unable to resume work after the war until February, 1920, when he became a vice-president of the Liberty Industrial Corporation, a subsidiary of the Liberty National Bank of New York. In March, 1922, he left that position to accept the presidency of the Cumberland institution.

A. G. WILLSON, of the Cleveland Trust Company, Cleveland, Ohio, has been named to the national public affairs committee of the American Institute of Banking. The appointment was made at the recent convention of the organization in Dallas.

Mr. Willson has been active in local affairs of the A. I. B., having been president and a member of the board of governors of the Cleveland chapter. He has also been president of the Cleveland Trust Club, the social and welfare organization of the 1500 employes of the Cleveland Trust Company's fifty-three branches in and near Cleveland.

FRANK J. PARSONS, vice-president of the United States Mortgage and Trust Company of New York, died suddenly August 23, 1926, at Kirhonkson, N. Y., where he had been spending the summer on account of poor health. He was 54 years old.

Mr. Parsons entered the service of the

A. G. WILLSON
Member of the National Public Affairs Committee of the American Institute of Banking.

United States Mortgage and Trust Company in 1895 and had been a vice-president since 1910. In addition to his work with this company, Mr. Parsons wrote and spoke extensively on real estate lending to bankers and investors. He was active in the Investment Bankers' Association of America and was for a time a member of the real estate securities committee of that organization. He was acting director of the New York Community Trust, in the development of which he was active. He was also chairman of the community trust commitee of the Trust Company Division, A. B. A.

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FRANK J. PARSONS

Formerly vice-president of the United States Mortgage & Trust Company, New York, whose death occurred last month.

Mr. Parsons was devoted to outdoor sports, particularly to riding and tennis. He was a member of the Bankers Club, New York; Maplewood Club, Maplewood, N. J.; and the South Orange Field Club, South Orange, N. J. He was also interested in the New York Osteopathic Clinic, of which he was a trustee.

He is survived by his widow, a son and a daughter. The family home is at Washington Park, N. J.

ARTHUR REYNOLDS, president of the Continental and Commercial banks of Chicago, has been recently elected chairman of the board of directors of the Continental and Commercial Company, formerly the Continental and Commercial Securities Company. Henry C. Olcott, vice-president of the Continental and Commercial Trust and Savings Bank, was chosen president.

The election followed the consolidation of the bond department of the Continental and Commercial Trust and Savings Bank with the Continental and Commercial Company, so that the investment facilities of both might be combined to afford a more complete service.

ARTHUR REYNOLDS

Recently elected chairman of the board of the Continental and Commercial Company, Chicago.

The capital of the Continental and Commercial Company is $4,000,000 and its directorate is composed of officers and directors of the Continental and Commercial Banks. Plans for its work under the new regime include enlarging of the company's branch at 5 Nassau street, New York. Other branches will be continued, as at present, in Milwaukee, Minneapolis and Des Moines.

Mr. Reynolds will continue as president of the Continental and Commercial Bank and the Continental and Commercial Trust and Savings Bank.

JOHN A. STEWART, America's oldest banker and a figure of importance in Wall Street for seventy years, celebrated his 104th birthday on July 25 at his summer home in Morristown, N. J. Five generations of the Stewart family attended a gathering with which the anniversary was marked, and the entire staff of the United States Trust Company of New York, of which Mr. Stewart is chairman of the board of trustees, joined in sending him congratulations.

There was little variation this year from the manner in which Mr. Stewart has spent his last several birth anniversaries. He was greeted by relatives and a few old friends, while messages were received by him from all parts of the country. Large quantities of flowers were sent to him by his former associates in Wall Street.

Mr. Stewart has not been at the offices of the trust company for the last four years, having retired from active business on his 100th birthday. He is still exceedingly keen and alert of mind and keeps his interest in general affairs, his friends say. He is also in good physical health. He is the patriarch of the trust company fraternity and was one of President Lincoln's advisers in the Civil War.

MARK BARTLETT has been appointed advertising manager of the Hibernia Bank and Trust Company, New Orleans, to succeed William B. Wisdom, who has resigned to become associated with the New Orleans office of the Housman, Gwathmey and Company of New York.

Mr. Bartlett has been connected with the Hibernia Bank and Trust Company for the last nine years, for six years in various commercial departments and for the last three years as assistant advertising manager.

The new advertising manager is president of the New Orleans chapter of the American Institute of Banking, vice-president of the seventh district International Advertising Association, chairman of the advertising and publicity committee of the Association of Commerce and treasurer of the New Orleans Advertising Club. For the last two years he has been a member of the debating team of the New Orleans chapter of the American Institute of Banking, which this year won the western debating championship of the organization.

HY. W. SANDERS of the Citizens National Bank of Los Angeles has gained an unusual, and perhaps unique, distinction in winning standard certificates from both the American Institute of Banking and the Institute of Bankers of London, England.

The latter institution was founded in 1879 and carries on a similar work to the American Institute of Banking. The standard certificate is awarded for the passing of its final examinations, the subjects of which are much like those of the A. I. B., with the addition of accountancy, in England known usually as "bookkeeping." Mr. Sanders received his early training in an English bank.

Mr. Sanders is a member of the board of governors of the Los Angeles chapter of the American Institute of Banking and for two years was editor of "Cage and Desk," the chapter publication, during which time it was awarded a prize at the 1924 convention of the A. I. B. as the best chapter publication in the United States.

John H. Brennen
President the Times Square Trust Co., New York, which opened for business this month.

TIMES SQUARE TRUST OPENS FOR BUSINESS

With a capital and surplus of $2,500,000 and offering comprehensive banking, trust, investment and safe deposit facilities as well as special services including a travel department and customs clearances, the Times Square Trust Company, which opened October 5, makes an important addition to New York banks.

John H. Brennen, formerly with the Bank of America, is president of the new institution.

Mr. Brennen represents the third generation of an old New York banking family. A grandfather, James Rodwell, was president of the old Manufacturers Bank of Brooklyn, which became the present Manufacturers Trust Company. His father was vice-president of the Gold Exchange Bank of New York City, and later was treasurer of the City of Brooklyn. Mr. Brennen himself has been actively engaged in banking for more than twenty-six years, having been connected with the Citizens Central National Bank, now merged with the Chemical National, and with the Atlantic National Bank before its absorption by the Bank of America.

The president of the new institution is an authority on banking credit and has lectured and written extensively on the subject, and during the last two years has broadcast from station WEAF many talks on current business subjects. He has been vice-president of the New York chapter of the American Institute of Banking, and as first president of the national forum committee of that organization is known to bankers throughout the country.

The new trust company occupies the first three floors and basement of the new building on the northeast corner of Seventh avenue and Fortieth street, Manhattan, across the street from the Metropolitan Opera and two short blocks from Times Square.

The firm of Paul Tausig & Sons, private bankers and travel agency, has been merged with the bank, and Karl Tausig, for many years head of the firm, has been made vice-president of the new institution and will supervise the travel and foreign departments.

The Times Square Trust Company intends to develop a general banking and trust business, and to that end a diversified board of directors composed largely of prominent business men has been elected. Bernard Reich, one of the outstanding personalities in the New York real estate field and owner of a number of imposing buildings in the Grand Central district and on the upper West Side of New York, is chairman. Mr. Reich is prominent in charity work, being on the advisory committee of the Child Welfare Committee of America and a past president of the National Home for Orphan Children. The other directors are:

George J. Atwell, president George J. Atwell Co., Inc., foundations; Louis G. Barth, president Barth & Cuttman, importers and exporters; William T. Collins, clerk of New York County; Louis F. Edwards, president Metropolitan Refining Company, Inc.; Lewis W. Flaunlacher, vice-president Thoens & Flaunlacher, Inc.; real estate; Benjamin A. Hartstein, attorney; Louis Hubshman of H. M. Hubshman & Bro., factors and commission merchants; Samuel Kaufman, president Kaufman Dress Company; M. M. Lask, cotton goods; Emil Lederer, vice-president United American Lines; John C. McCall, vice-president New York Life Insurance Company; Arthur deSola Mendes of F. J. Lisman & Company; A. V. Morgenstern, president Morgenstern & Company, chemicals; William Morris, president William Morris Theatrical Enterprises; Karl Tausig of Paul Tausig & Son, vice-president; Frederick H. Wandelt, vice-president Textile Banking Company; Louis Whitelaw, diamond importer; Dr. Meyer Wolff, president Wolff Industrial Service, Inc.; and John H. Brennen, president of the bank.

The bond and investment department is under the personal direction of Arthur deSola Mendes, one of the board of directors, for twenty-five years associated with the international investment banking firm of F. J. Lisman & Company and until recently its managing partner. Mr. Mendes retired early this year to give his entire time to his private interests. *Lisman's Review*, a survey for investors of international economic and railroad matters, which has been widely read in recent years, was the work of Mr. Mendes.

The other officers are Edwin R. Lawrence, treasurer; Joseph W. Hansen, secretary; John Enderman, assistant vice-president and foreign exchange manager, and Thomas Haldane, assistant treasurer and credit manager.

Mr. Lawrence has had twenty years' banking experience, having been associated with the Pacific Bank, since consolidated with the American Exchange National Bank. Mr. Hansen was successively with the Germania Bank (now the Commonwealth Bank), the Lincoln Trust Company and the Mechanics and Metals National Bank. Mr. Haldane has been credit manager at the Atlantic office of the Bank of America.

NEW PUBLICATION

THE first issue of "Finance and Trade Commentary" has recently been published by the J. Henry Schroder Banking Corporation of New York. The new publication is a monthly bulletin inaugurated for the benefit of investors and business men abroad and is intended solely for circulation outside this country.

In addition to articles on financial and commercial subjects of special interest to business men abroad, the commentary will present a monthly survey of domestic business conditions and a supplement devoted to investment information.

The first, or August issue, contains an article on the proposed copper export trade organization in which it is pointed out that the combination appears to attempt the creation of the "first real international cartel in which this country is a party." Another article traces the development of commercial banking in this country and outlines the functions of the various types of banking institutions.

KNOXVILLE BANKS MERGE

DIRECTORS of the Holston National Bank and the Third National Bank, both of Knoxville, Tenn., have voted in favor of merging the two institutions and thus giving Knoxville a $10,000,000 bank. The new corporation will have a capital and surplus of $1,200,000 and deposits of more than $7,500,000.

The Third National's building at 413 South Gay street will be sold and business conducted in the present building of the Holston National which has been extensively remodeled. J. P. Gaut, president of the Holston National, will be president of the new institution and J. Basil Ramsey, cashier of the Third National, vice-president, along with Ralph W. Brown and Joseph Hacker, vice-presidents of the Holston National. A. Y. Russell will be the cashier.

CHELSEA EXCHANGE BANK PLANS EXPANSION

AN increase in capital and the establishment of two new branches, one in the Bronx and the other in Brooklyn, has been announced by Edward S. Rothchild, president, in an outline of plans for expansion of the Chelsea Exchange Bank, New York.

"The steady growth of the bank's

JOSEPH P. GAUT

President of the Holston National Bank of Knoxville, Tenn., which is planning to take over the Third National Bank of the same city and thus create a $10,000,000 institution.

business," Mr. Rothchild said, "will result in an increase in the capital by an amount which will be determined by the board of directors shortly." The amount of the new capital, the price at which the additional stock will be sold to present stockholders and the question of the dividend rate on the increase stock, are matters not yet decided.

A permit has already been issued for one of the new branches, to be located at Claremont Parkway and Third avenue. Prior to its opening later in the fall temporary quarters are being occupied.

The second branch will be opened at Bedford avenue and Fulton street, Brooklyn. A new twenty-four story bank building at Thirty-sixth street and Eighth avenue is nearing completion and the Chelsea will occupy quarters there about Christmas time. All of the branches have safe deposit facilities.

COOPERSTOWN, N. Y., BANK INCREASES SURPLUS

AT a semi-annual meeting of the board of directors of the First National Bank of Cooperstown, Cooperstown, N. Y., the surplus of the bank was again increased, this time to $250,000. Successive increases have been made since February, 1923, when $25,000 was added to the original $100,000. A similar amount was added in August of the same year. In August, 1925, the board voted an increase of $50,000 and the same amount of increase was voted again this year, bringing the total surplus up to $250,000.

BRONX BANK ANNOUNCES INCREASE OF CAPITAL

ANNOUNCEMENT was made recently by John M. Haffen, president of the Bronx County Trust Company, 148th street and Third avenue, that the board of directors of the institution had voted to increase its capital stock from $825,000 to $1,000,000, preparatory to opening two new branches in the Bronx.

The additional stock, amounting to $175,000, was issued October 1 and went to stockholders of record on September 10. Subscription rights are limited to present stockholders, who are entitled to purchase one share of new stock for each five shares they now hold.

The Bronx County Trust Company, which was formerly the old Twenty-third Ward Bank, was organized January 1, 1925. Its total deposits as of June 30 of this year were $14,298,422, resources $15,787,089, and surplus $499,937.

Officers are John M. Haffen, president; Charles P. Bogart, Henry J. Van Cook and Edward R. Cohn, vice-presidents; Charles E. Merrifield, secretary; Charles H. Meyer, John J. Reddington, Jacob A. Zeller and William Grosch, assistant secretaries and George W. Smith, trust officer.

CHICAGO PATROL ORGANIZED

To afford additional protection against bandits and other criminals, the bankers, merchants and other business men of Chicago have organized a merchants' patrol under the direction and in the pay of the Uptown Chicago Clark Street Business Men's Association. O. A. Christensen, president of the Capital State Savings Bank, 5437 North Clark street, is president of the association.

LIBERTY NATIONAL GETS PEOPLE'S COMMERCIAL

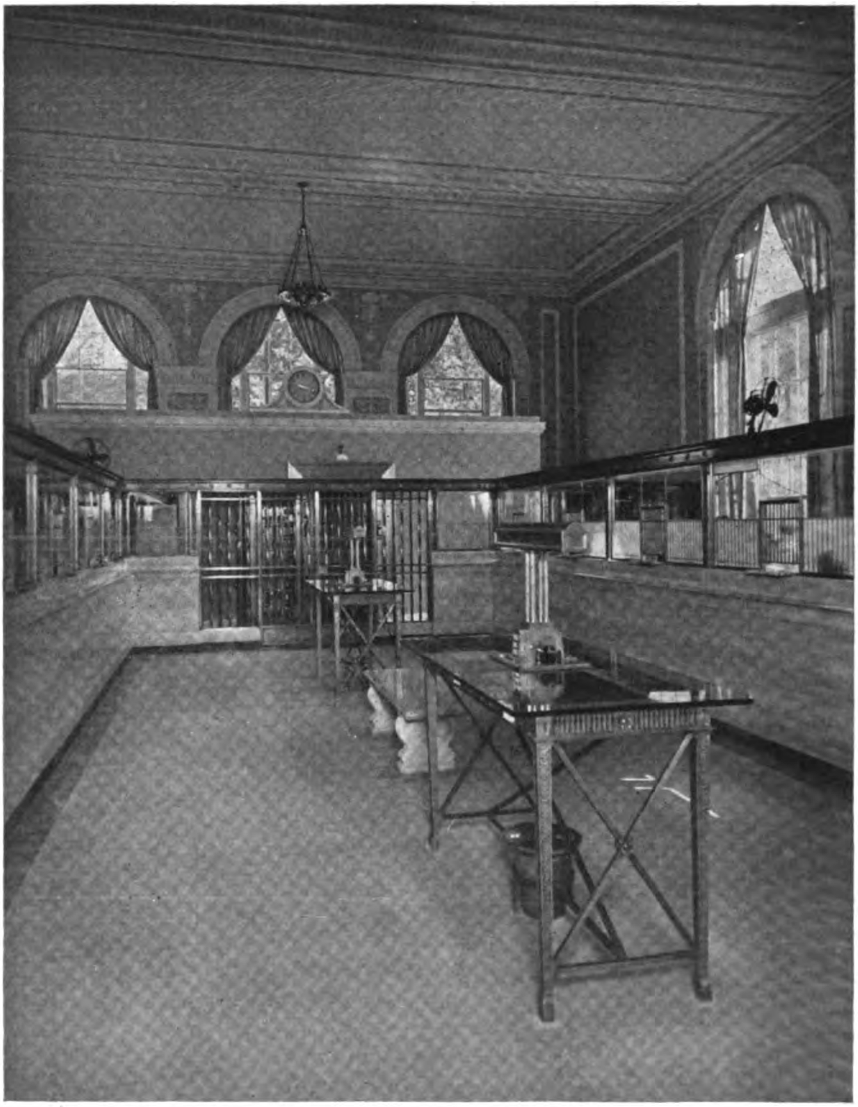
THE Liberty National Bank has acquired the assets of the People's Commercial Bank, Delancey and Suffolk streets, New York, and is operating it as a branch, according to announcement made by Robert W. Daniel, president of the former institution. Business will go on as before, it is announced, but the patrons of the People's Bank will enjoy the facilities of a national bank.

Resources of the People's Commercial at the time of purchase were about $2,500,000 and the combined resources of the two banks will be $17,000,000. Sigmund W. Barasch, former president of the merged bank, has left on a vacation trip. His brother, Morris Barasch,

[Continued on page 571]

EXAMPLES OF RECENT BANK BUILDING OPERATIONS

New building of the First National Bank of Tuckahoe, N. Y. The front elevation is of cut cast granite and the sides and rear of light colored tapestry brick trimmed with the granite. The building was constructed by Holmes and Winslow, architects, New York.

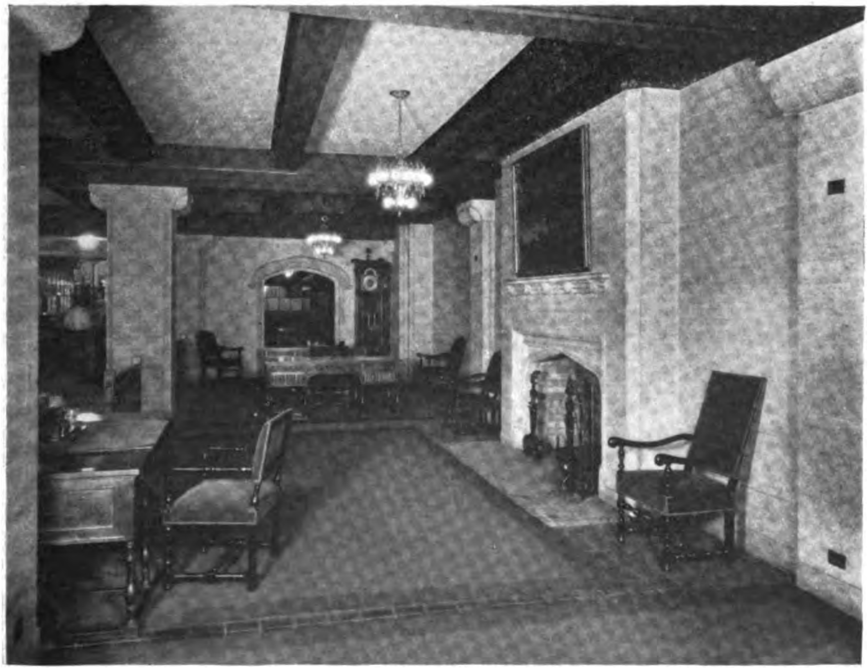


Interior of the new First National Bank of Tuckahoe, N. Y., showing the unusually good lighting from windows on four elevations. The banking screen is of imported Rosato marble, with an upper screen of cast bronze and etched plate glass. At the rear may be seen the safe deposit vault, protected by a bronze grille.

The picture at the left shows the old building of the South Norwalk Trust Company, South Norwalk, Conn., and that above the same building remodeled. The varying floor levels were brought to one, the front changed and new equipment installed while business continued. The work was done by Morgan, French & Co., architects and engineers.

The decorative scheme of the main office of the Hamilton National Bank, New York, is unique among bank interiors. It is designed in the Gothic style, the predominant color being golden bronze.

Unusually attractive and inviting are the officers' quarters of the Hamilton National Bank, New York. The office of the president, Archibald C. Emery, is shown in the background.



There is a warmth of atmosphere to the directors' room of the Hamilton National Bank, New York, which suggests more a comfortable living room than one dedicated to business conferences.

WHAT BANKS AND BANKERS ARE DOING

[Continued from page 564]

is continuing as an executive of the People's office of the Liberty National.

The Liberty National was started by W. C. Durant, automobile manufacturer, and he is one of the directors. This is the first expansion of the bank since organization and it is thought that this purchase may be the first step to the establishment of other branches.

CALIFORNIA BANK TO HAVE NEW HOLDING COMPANY

ANNOUNCEMENT has recently been made of the formation of a new company, the California Group Corporation, as an addition to the group of organizations which surround the California Bank, of Los Angeles, Calif. Control of the new corporation, as represented by the entire issue of $2,500,000 common capital stock, will be vested in the California Securities Company and will be held for the benefit of the California Bank stockholders. Two and a half million dollars par value of 6 per cent. cumulative preferred stock has also been provided, making the total capitalization $5,000,000.

The California Group Corporation has acquired the valuable realty holdings of the California Bank in and near to Los Angeles and has entered into a long time lease with the bank for offices located on these premises.

"California Group Corporation will supplement and support the operations of California Bank, California Trust Company, California Securities Company and National City Bank," said A. N. Kemp, president of the California Group Corporation, "and is in line with the procedure of other financial institutions in the country. In our organization we have felt the need of a corporation to handle matters beyond those which we ordinarily handle in California Bank, the California Trust or California Securities Companies, and the California Group Corporation will supply this need. It may act as a holding company; it is authorized to finance industries and businesses, to make loans, to handle syndicates, and other profitable branches of finance, and in addition it will take care of the present real estate holdings and acquire additional premises for California Bank and its affiliations as warranted by their growth."

The officers of the California Group Corporation are A. N. Kemp, president; Lewis E. Bliss, A. E. Huntington, J. B. Chaffey and Gordon C. Smith, vice-presidents; B. E. Brownell, secretary; and T. E. Ivey, Jr., treasurer.

Directors of the corporation are all men prominently identified with the California Bank and include A. M. Chaffey, A. N. Kemp, George A. J. Howard, Leo S. Chandler, A. E. Huntington, L. E. Bliss, J. Forsyth, G. L. Alexander, T. E. Ivey, Jr., Gordon C. Smith and J. B. Chaffey.

MOTOR CAR EXPORTS SHOW INCREASE

THE continued increase in the total volume of motor car exports makes it rank first in value of all manufactured products. In this, General Motors has a large part, showing a substantial increase in its overseas business, according to Alfred P. Sloan, Jr., president.

"The sales to our overseas dealers," says Mr. Sloan, "in the first six months of this year totaled 63,797 cars, as compared with 41,854 cars last year, or an increase of 52 per cent. Our exports for the first six months of the year contributed about 10 per cent. of our total business and should approximate $100,000,000 wholesale value for the year 1926. Last year the wholesale value of our exports was $77,109,696, as compared with $50,929,322 in 1924 and

$39,193,869 in 1923. By wholesale value, I mean the amount of money the corporation receives for its cars from its dealers. Of course the retail value, or what the buyers overseas pay our dealers, would swell the total materially."

NEW YORK TITLE HAS STATEN ISLAND OFFICE

INCREASED business in Staten Island has forced the New York Title and Mortgage Company to move from its former offices there to enlarged quarters at 57 Bay street, St. George.

The new quarters are on the second and third floors of the building previously occupied by the Staten Island Edison Company and are only a short distance from the ferry. They offer excellent accommodations for the company's activities. Nelson A. Mersereau, assistant secretary and for many years associated with the company in Staten Island, is in charge of the new offices.

The American Trust Company has also opened an office at 57 Bay street, St. George, after making alterations in the building to adjust it to its banking needs.

Both these companies will eventually occupy their own building, to be erected on property owned by them at 30 Bay street, St. George.

NEW WEST SIDE BANK OPENS

THE Bank of Yorktown, New York, opened for business last month in commodious quarters at Eight avenue and Thirty-eighth street. The bank is capitalized at $1,000,000, and has a surplus of $250,000. Total deposits on the first day exceeded $1,000,000.

George M. Adrian, formerly vice-president of the Commercial Exchange Bank, is president of the new institution. Vice-presidents are Louis J. Adrian, for many years assistant vice-president of the National City Bank, and William F. Heide, of Henry Heide, Inc., manufacturing confectioners. Directors include George M. and Louis J. Adrian, August Elmer, Mr. Heide, James P. Kelly, William P. Larkin, George A. Mattern, Emmett McLoughlin, Henry A. Petersen, Victor F. Ridder and John Wilkin.

The accounting system and equipment of the Bank of Yorktown are modern in every respect, and several features have been installed which will help materially, it is expected, to reduce operating costs.

The bank is a member of the Federal Reserve System.

MURRAY HILL TRUST OPENS

THE Murray Hill Trust Company, New York, opened for business early in September, with a combined capital and surplus of $2,100,000. Officers of the new institution are W. I. Lincoln Adams, chairman of the board; Oliver W. Birckhead, president; F. W. Kavanaugh, first vice-president; Reginald W. Brixley and Harold B. Thorne, vice-presidents; and Ben B. Bulock, secretary.

NEW YORK BANKS GAIN IN RESOURCES

RESOURCES of the banks of New York have increased $525,937,000 during the last year and have reached a total, as of June 30, 1926, of $11,280,477,000. At the same time the deposits reached a total of $9,703,265,000, or an increase of $351,687,000 over last year.

These figures, which were announced by Frank H. Warder, superintendent of the Banks of the State of New York, do not include the resources of savings and loan associations, investment companies, safe deposit companies, personal loan companies and credit unions.

CELOTEX COMPANY STOCK IN UNUSUAL RISE

THE Celotex Company, until recently practically unknown in the financial world, has rivaled General Motors in an unusual rise in the present bullish market.

A few weeks ago the common stock of Celotex was listed at 115 and the preferred at 85. Six weeks later it had leaped to 210 for common and 95 for preferred stock.

The financial statements concerning the growing earnings of the corporation, its stable management and unlimited field in a new industry issued by E. T. Konsberg & Co., were largely instrumental in causing the remarkable rise.

RAILWAY UNION TO OPEN NEW BANK HERE

THE Brotherhood of Locomotive Engineers, which recently sold its interest in the Brotherhood Trust Company of New York, part of its stock interest in the Empire Trust Company and the Equitable Building, is planning to open a new bank in New York within a few months, according to George T. Webb, executive vice-president of the Brotherhood Co-operative National Bank. It has recently opened a branch in Cleveland and is starting a co-operative national bank in San Francisco, as a part of its national system.

No change has been made in the policy of the brotherhood, contrary to popular belief, according to Mr. Webb, who said the New York interests were disposed of because the brotherhood received a profit from them, and not because the organization was "getting out of New York."

GENERAL MOTORS TO SPREAD BANK DEPOSITS

INSTEAD of concentrating its funds in New York or Detroit, the General Motors Corporation has announced a policy of distribution of its bank deposits throughout the country, in order to show the appreciation of the corporation for the co-operation it has received from the various banks.

The policy, as outlined by M. L. Prentiss, treasurer, is not viewed favorably by other large corporations, none of which expect to emulate the General Motors plan. Officers of other large companies state that even were there such a plan under consideration there is nowhere near such a cash surplus available as would make the plan at all practical.

The General Motors Corporation, according to its latest report, has more than $190,000,000 in cash and securities. These funds usually are kept employed in the money market and in the purchase of readily marketable bonds.

NOW IRVING BANK AND TRUST COMPANY

WHAT has been known as the Irving Bank-Columbia Trust Company, of New York, is now called the Irving Bank and Trust Company. The change was made September 20 when the stockholders also voted to increase the capital from $17,500,000 to $22,000,000 and the surplus and undivided profits from $14,500,000 to $19,000,000.

BUSINESS IN SOUTHWEST SHOWS GAINS

A MODERATE gain during July, which normally shows a decline from previous months, has been reported in regard to business activity in the Pacific-Southwest. The usual slackening incident to the summer vacation period did not occur in many lines of business, according to a bulletin published by the research department of the First National Bank of Los Angeles, the Pacific-Southwest Trust and Savings Bank and the First Securities Company, all of Los Angeles.

Reports of bank clearings and bank debits afford statistical evidence that the volume of trade and industry during the month was the largest since March of this year. July totals, as indicated by records up to the twenty-ninth of the month, were approximately 3 per cent. larger than June and April, nearly 11 per cent. greater than May, and 16 per cent. in excess of July, 1925.

Trading at wholesale and retail continued in large volume. Summer buying was slow during the first half of the month, but improved with the advent of warm weather. Retail trade in the agricultural districts recorded larger gains than in the metropolitan area. Industrial operations declined, excepting fruit and fish canning, which increased seasonally. Petroleum production was slightly larger. Building was more active, contrary to the usual trend for July. The valuation of permits issued, including one very large item, was the largest for any month of 1926.

The agricultural situation is definitely favorable to the business outlook. With but few exceptions, the condition of crops and markets is good. The labor supply has been adequate at reasonable prices. Harvesting of deciduous fruits is in full swing. The high temperatures in the interior valleys hastened the maturity of all fruits from ten days to two weeks. Some burning of fruits and reduced sizes and tonnage were reported, but the loss was not serious. The possibility of mildew damage to grapes was minimized. The quality of all grapes promises to be good. Estimates indicate a larger crop than in 1925. The markets for valencia oranges and lemons were higher following the hot eastern weather, and shipments steadily increased. The walnut crop is short. Production is forecast at about 65 per cent. of the 1925 output.

The condition of cotton is the best ever reported at this time of the year, and despite a decrease in acreage, production is expected to equal the 1925 output. Bean prospects are excellent. Sugar beet acreage is less, but the per unit yield will be higher. A large output of grains and hays is indicated. The condition of livestock and ranges remains good.

The financial situation is strong throughout the territory. There is an abundance of funds available for high grade investments. Mercantile failures continue moderately large in number and liabilities. Bank deposits are at high levels and the demand for loans is good. Interest rates are unchanged.

WESTERN TRUST COMPANIES HOLD CONFERENCE

THE Fourth Regional Trust Company Conference, including the trust companies of the Pacific Coast and the Rocky Mountain States, was held in Los Angeles from September 30 to October 2, just preceding the annual convention of the American Bankers Association.

The conference was of prime importance and interest to the trust company fraternity and to the public served by the trust companies, containing, as it did, a few worth-while addresses and a large number of round table debates, in which everyone present had an opportunity to offer opinions and suggestions.

Addresses by John C. Mechem, vice-president First Trust and Savings Bank, Chicago, on "Trust Department Earnings" and by Charles R. Holden, vice-president Union Trust Company, Chicago, on "Retailing and Sub-Dividing Land," were among the high points of the conference. Questions of interest to trust officers and important matters relating to the trust businesss were thoroughly analyzed in the round table discussions.

In addition to the business program, Los Angeles trust companies entertained the visitors at a theater party at Grauman's Egyptian theater in Hollywood, at a luncheon at the Biltmore, and with a sight-seeing automobile trip to the beaches and in and around Los Angeles. The delegates were also entertained by a motion picture director in Hollywood, where they witnessed the making of a part of a motion picture. The convention closed with a formal banquet at the Biltmore.

LARGE NEW YORK BANK MERGER PLANNED

PLANS have been made and an agreement reached for a merger of two New York banks, the National American Bank with the Central Mercantile Bank, according to an announcement made by Robert Adamson, chairman of the former institution. Preliminary steps were taken at a meeting of the National American stockholders and directors. It is expected that the completion of the merger will require another month.

The National American will surrender its national bank charter and dissolve its corporate entity to merge with the other institution, which is a state bank. The merger will create an institution with resources totaling $40,000,000.

The National American has its main office at 8 West Fortieth street and a branch at First avenue and Seventy-second street. Its deposits have more than doubled in the last two years. In the same period the deposits of the Central Mercantile have increased from $2,500,000 to $21,000,000. It is located at Fifth avenue and Fourteenth street and has two branches, one at Spring and Varick streets and a second at East Broadway and Catherine street.

Central Mercantile officers are David H. Knott, chairman; C. Stanley Mitchell, president; Joseph Brown, Louis Stewart, Jr., Michael Kletz and Frederick S. Sinclair, vice-presidents, and Charles H. Hoffman, cashier.

The officers of the National American Bank are Robert Adamson, chairman; Julian M. Gerard, president; H. I. Stevens, vice-president and cashier; Charles E. Rinehart, assistant cashier; and Mandeville Mullaly, trust officer. Directors include Chester A. Braman, president of A. D. Juilliard Co., Inc.; Barron G. Collier, Robert Adamson, Julian M. Gerard, Charles D. Hilles, Herman A. Metz, Patrick Francis Murphy, Edward B. Lewis, Lamar Hardy, Kenneth O'Brien, John F. Galvin, Arthur Simon of Franklin Simon & Co.; Colonel Ned Arden Flood, Harold G. Aron, Julian Goldman, James J. Hoey and Robert Westaway.

C. STANLEY MITCHELL

President Central Mercantile Bank of New York, which is planning to take over the National American Bank to create a $40,000,000 institution.

The board of the Central Mercantile Bank includes David H. Knott, Louis Stewart, Sr., Louis Stewart, Jr., Donald H. Cowl, Alfred W. Miles, J. Irving Walsh, John Love, John S. Burke, C. Stanley Mitchell, Joseph Brown, Joseph C. Brownstone, John A. Dilliard, Leo L. Doblin, Louis H. Hall, Henry Kelly, Jr., James C. Kennedy, Frederick W. Longfellow, Willis G. McCullough, A. Milton Napier, Argylle R. Parsons, Henry Pollak, Alfred Rheinstein, Alfred W.

Richardson, Joseph M. Schwartz and Morris L. Willets.

BIG MERGER IN CALIFORNIA

REPORTS from San Francisco tell of the merger of two of its banks, the Mercantile Trust Company of California and the American Bank of San Francisco, to form the third largest branch banking institution in the state. The combined banks will have eighty-one branches. They will be operated under a new name but will retain their former staffs.

The Mercantile Trust has resources of $180,000,000 and the American Bank of San Francisco resources of $81,000,000. The merger will be on the basis of three shares of American for two shares of Mercantile stock.

SILZER'S BANK TO OPEN IN DOWNTOWN DISTRICT

THE Interstate Trust Company, with former Governor George S. Silzer of New Jersey as its president, will open for business at 59 Liberty street, New York, according to a recent announcement. It will occupy offices on the first floor of the Chamber of Commerce Building.

The new company, which is the first trust company to receive a charter for operation in downtown New York in the last seven years, will have a capital of $2,000,000 and a surplus of $600,000. One of its purposes, it is said, is to be a "bank for bankers."

The site of the new company is regarded as one of the best banking locations in the financial district. It is across the street from the Federal Reserve Bank and within a few blocks of the largest financial institutions in Wall street.

The directorate of the new company will cover a wide range of banking and business personnel. Among those mentioned in connection with the organization of the company are John W. Doty, chairman of the Foundation Company. Eugene P. Thomas, president of the United States Steel Products Corporation; Ralph Wolf of the law firm of Hays, Hershfield & Wolf; Isaac Alpern, president of the Perth Amboy Trust Company; Curtis Fetterolf, vice-president of the International Mercantile Marine Company; Samuel J. Bloomingdale of Bloomingdale Brothers, Inc.; John W. Burrows, president of the American Woolen Company, and De Witt Millhauser of Speyer & Co.

Subscription books of the new company were opened this month, and it is understood that the capital was oversubscribed three or four times. The 20,000 shares of capital stock of $100 par value were offered at $130. Mr. Silzer was chairman of the organization committee, and associated with him on it were Mr. Thomas and Mr. Wolf.

EQUITABLE TRUST COMPANY TO HAVE RETIREMENT SYSTEM

A CHARTER has been issued to the Equitable Trust Company of New York by the state insurance department, for a new corporate entity, "The Retirement System of the Equitable Trust Company of New York."

The certificate grants the right to employes and company to operate jointly a retirement plan for their mutual benefit and with all the safeguards that the law now places around insurance companies.

Superintendent James A. Beha of the state insurance department regards the charter as one of the most important ever issued by the department, one which will set a precedent for the establishment of similar plans throughout the country since it is a tangible evidence of the company's good faith toward the employes.

The system, which covers more than 2000 employes, consists of monthly contributions made by the employes and the company. The fund is held in trust and

administered by a board of managers. It provides retirement allowances to all employes retiring after the age of 60 or who are disabled before reaching that age. It includes, also, accidental benefits in the case of employes injured or killed in the performance of duty and death benefits for the families of those dying in service.

WORLD SAVINGS BANKERS TO MEET THIS MONTH

THE first international gathering of savings bankers to be held in the United States will take place in Philadelphia the latter part of this month, October 18-22. Delegates from practically every European country, Japan, Australia and other nations will meet for the seventh annual convention of the National Association of Mutual Savings Banks and the first meeting of the permanent committee of the International Thrift Institute organized last year in Milan, Italy.

Among the speakers will be leading savings bankers of the world, including J. Spencer Portal, president of the Trustee Savings Banks Association of Great Britain and Ireland, and the Marquis Guiseppe De Capitani d'Arzago, president of the Savings Bank of the Provinces of Lombardie at Milan, one of the oldest and largest in the world.

Forty foreign guests will be included among the 1000 delegates who are expected to attend the convention and plans are being made to meet the visitors on their arrival in New York and to entertain them during their stay in this country.

Judge Edward A. Richards, president of the East New York Savings Bank of Brooklyn, is head of the national association and will preside at the meetings of the convention in the Bellevue-Stratford Hotel in Philadelphia. The first will be called at 2 p. m., October 18.

A meeting of the council of administration of the national association will be held in the forenoon preceding the main conference and at noon a joint luncheon of the council will be held with the visiting overseas delegates. James H. Willcox, president of the Philadelphia Savings Fund Society, the oldest savings bank in the United States, will present a welcome from the savings banks of the Exposition City, as chairman of the committee on arrangements.

The main discussions will be held on the second, third and fourth days of the conference, the fifth day devoted to reports and the election and installation of officers. The annual ball will be held on the third day and the annual banquet on the following evening. United States Senator George W. Pepper of Pennsylvania will speak on this occasion.

The general conference plan calls for a series of subconferences following the session on each of three days beginning Tuesday. Each general session is to begin at 9.30 a. m., when rooms for branch meetings will be designated. The branch sessions will continue from 11 a. m. to 1 p. m. and take up three general subjects, with different sub-titles each day.

The three general subjects are: "Promotion of Savings, Bank Efficiency and Services," "Administration and Management" and "Loans and Investments."

In the course of the programs topics have been assigned with a view to stimulating discussion on every phase of savings bank problems. Each subconference will be in charge of an honorary chairman and a leader. Alex Cooch, assistant general manager of the State Savings Bank of Victoria, Melbourne, Australia, will be honorary chairman of the first division of discussions mentioned, on the second day of the conference. Professor Filippo Revizza, secretary of the International Thrift Institute of Milan, will serve on the third day, and Mr. Portal on the fourth day. Mrs. A. P. Stevens of the Maine Savings Bank of Portland, will preside as leader each day.

Thomas Henderson, actuary of the Savings Bank of Glasgow; W A. Barclay, actuary of the Savings Bank of the County and City of Perth, both of Scotland, and E. Dereever, director-general of the Caisso General d'Epargne et de Retraito, Brussels, will be the respective honorary chairmen for the second division of topics, with Carl M. Spencer, president of the Home Savings Bank of Boston, leading.

For the third group of discussions Herr Herman Schneider, director of the Deutscher Sparkassen und Giroverband, Berlin; Kenneth G. Stirling, actuary of the Edinburgh Savings Bank of Edinburgh, Scotland, and W. P. Ure, chairman of the Savings Bank of Glasgow, will be the honorary chairman. Robert L. Foguet, vice-president of the Emigrant Industrial Savings Bank, New York, will lead.

It has been computed that world savings to the amount of about $25,000,000,000 will be represented by the delegates at this gathering, which will have participants present from England, Scotland, Spain, Russia, France, Germany, Italy, Canada, Brazil, Argentine Republic, Cuba, Switzerland, Sweden, Mexico, Porto Rico, Colombia, Hungary, Holland, Belgium, Chile and Australia, besides every part of the United States.

BANKS RATIFY ABSORPTION PLAN

Stockholders of the Bank of the Manhattan Company, New York, and of the Greenpoint Bank, Brooklyn, have ratified the plan for the absorption of the latter by the former institution and David E. Freudenberger, formerly president of the Greenpoint Bank, has been elected a vice-prsident of the Bank of the Manhattan Company. He will have charge of the Greenpoint office.

Plans for the purchase of the Bronx Borough Bank have not been fully announced. The Bank of the Manhattan Company decided some time ago to increase its capital by $300,000 through the issuance of 6000 shares of $50 par value in connection with the Greenpoint purchase and has made plans for a $400,000 increase by the issuance of 8000 similar shares for the acquisition of control of the Bronx Borough Bank. This plan is now before the State Superintendent of Banks for authorization.

WINNERS ANNOUNCED IN THE WHERE-U-BE TOURNEY

Winners in the 1926 Where-U-Be golf tournament for bankers are J. M. Warren of the West Springfield Trust Company, West Springfield, Mass., on an eighteen-hole course, and Herman C. Miller of the Cheyenne County State Bank, St. Francis, Kan., on the nine-hole course. Mr. Warren was 12 below par and Mr. Miller 8.

The contest, which was held this year for the third time, was conducted by Staples & Staples, Inc., of Richmond, Va., and was parcticipated in by bankers from all parts of the United States. The winners include bankers from Georgia, Kansas, Illinois and Massachusetts.

J. T. Ellis, Merchants and Mechanics

Bank, Columbus, Ga., took second prize in the eighteen-hole division, with a score of eleven strokes below par. The following men sent in scores of five or more strokes below par for the courses played:

G. H. Allen, McDowell National Bank Sharon, Penn., 9; W. E. Bender, First National Bank, Muskogee, Okla., 5; J. P. Solomon, First National Bank, Muskogee, Okla., 5.

Second prize in the nine-hole course division went to Earl L. Pierce, Corn Belt Bank, Bloomington, Ill., with a selected score of eight strokes below par. J. M. Davidson of the First National Bank, Glasco, Kan., would have tied for second prize had he not automatically been eliminated as a prize winner by having won the nine-hole course tournament last year.

Scores of 5 or more strokes below par on nine-hole courses were turned in by other players as follows:

C. F. Rauscher, Iowa National Bank, Ottumwa, Iowa, 7 strokes below par; Rome T. Calendar, Farmers Trust and Savings Bank, Marion, Ind., 7; George F. Palmer, Vancouver National Bank, Vancouver, Wash., 6; A. H. Humes, Corn Belt Bank, Bloomington, Ill., 6; Frank Sparrow, American State Bank, Bloomington, Ill., 6; J. E. Hockensmith, Union National Bank, Bartlesville, Okla., 6; Fred E. Martin, State Bank of Hoiles and Sons, Greenville, Ill., 5.

EMPLOYES TO CONTROL BANK OF ITALY

More than $2,000,000 worth of stock of the Bank of Italy, San Francisco, Calif., has been purchased by employes of that institution, with a view to passing ultimate control of the bank to the members of the organization. A total of 4454 shares of stock have been bought by employes at $450 a share, a price almost $10 below the present market price.

The plan, in which the bank is assisting, calls for the turning over of 40 per cent. of the net profits of the bank each six months to the stock purchase fund, to which the employes will also contribute from their salaries.

During the first half of 1926 $650,000 was set aside for the plan—$497,000 being paid out of profits and the rest received from employes. Every staff member has taken part and has thus become a part owner in the Bank of Italy.

BOOK REVIEW

Business Correspondence Handbook. Edited by James H. Picken. Chicago and New York.: A. W. Shaw Company. $7.50.

Like the scientist who, while admitting that death is bound to come, does his best to prolong life by laying down rules of health, James H. Picken, in his "Business Correspondence Handbook," begins with the premise that since no two situations are exactly alike success can never be assured, and goes on to lay down tested rules of business letter writing which minimize chances of failure.

Being himself a lecturer in advertising, the author is essentially interested in business correspondence that sells (direct advertising) and this makes up his book, with the exception of three chapters—one each on routine business correspondence, letters of adjustment and letters of collection.

The opening chapters of the book distinguish between direct and other forms of advertising, deal with the development of business correspondence into the huge factor it is in present day business, take up its modern uses and present successful types of each of them. The opening, the body and the conclusion of the letter are considered in detail.

Throughout the remainder of the book the different types of business letters are considered and analyzed with regard to the uses to which they are put and the results achieved. These are illustrated by 250 examples of business correspondence taken from successful campaigns, the results of which have been accurately determined. Seventy charts add to the value of the book and to its clearness.

An interesting chapter is that on the psychology of effective letter writing in which the author attempts to run to earth what every writer of direct advertising is seeking—that "indefinable something" which keeps one letter from following its fellows into the wastebasket. He admits that ofttimes when psychologically a red sheet is in order, a blue one pulls better results; that a poorer layout may bring as profitable returns as a better one. Yet even this admission is clouded by the fact that no two letters are sent out under exactly the same conditions, with the exception of their color, so that what seemed to have been better results from the blue paper may have been because of the date of mailing, or business conditions, or the weather—a result in spite of the paper, rather than because of it.

While Mr. Picken mentions all the commonly practiced methods of getting attention, such as orange letterheads, pointing fingers and three-cornered envelopes, he does not wax enthusiastic over "stunts," many of which he admits are flat failures. And he mentions one point which, for the good of humanity, might well be underlined, printed in red ink and sent to many business correspondents, i. e., that the "great letters which have been developed and used in the last quarter century have very generally been devoid of all tricks or devices, being simple, clear appeals that won attention because they showed the reader advantages to be gained."

NEW BOOKS

ADEQUATE TABLES OF BOND VALUES. Boston: Financial Publishing Co. lea. $18.

BUSINESS ETHICS; A MANUAL OF MODERN MORALS. By James Melvin Lee. N. Y.: Ronald Press. $3.25.

THE FUNDAMENTALS OF BUSINESS ETHICS. By Everett William Lord. N. Y.: Ronald Press. $2.75.

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52nd Annual A. B. A. Convention

November 1926

The BANKERS MAGAZINE

80TH YEAR

Some Automobiles that Have Passed Me.

Methods in Railroad Financing.

Does Branch Banking Check Bank Failures?

How Banks Are Advertising.

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Editorial Comment

SOME OBJECTIONS TO BRANCH BANKING

FURTHER extension of branch banking by the national banks, as proposed in the McFadden Bill, naturally gives rise to the question of popularizing these additional offices with the public. In many of the states people are already familiar with branch banks, and as it is in these states that the national banks would operate branches should this bill become a law, the task of educating the people to use these new branches ought to be an easy one, since they have already been accustomed to state bank branches. If the latter have been found serviceable, and have become popular—as seems to be a fair inference from the rapid increase in their numbers—there is every reason to believe that branches of the national banks will have equally plain sailing.

What have been the main objections to branch banking?

First, undoubtedly, that it tends toward banking monopoly by concentrating banking in the hands of a few big banks. This tendency does exist, at least to a considerable extent, where the branches cover an entire country; but it can hardly apply, except in the immediate vicinity, where the branches are confined to the same city as the parent bank. Outside this limit independent banks would exist as usual. The advocates of branch banks will contend that even where banking is concentrated in the hands of a few big institutions, as in England, Australia and Canada, competition among them is still keen.

A second objection that has been vigorously urged against branch banking is that it represents absentee banking; that deposits of a certain community are collected, not to be employed in the first instance for the benefit of that community, but to be disposed of as the general manager, located at some distant head office, may see fit; and that the manager of a local branch can have neither the knowledge of local affairs nor the sympathy with local enterprises as present executives and boards of directors have. It is sometimes admitted that a branch manager who judged of loan offerings purely from the standpoint of their safety and liquidity, might keep the assets of a branch in better shape than do local officials who are subject to bias on account of their intense interest in local business enterprises. Those who make this admission do not regard this advantage as affording a proper equivalent for the surrender of the present "independent" or "unit" banking system.

It must be conceded that these objections are too serious to be lightly dismissed. And, should further extension of branch banking be authorized, it will become necessary for the banks establishing branches to meet them. Possibly, branch banking here may develop on somewhat different lines than have been followed in other countries. A case is recalled where the manager of a branch of an American bank vigorously proclaimed that the deposits received at his branch were under his own control, without interference from the head office. But should such a rule be applied to all branches, it would cut both ways. If deposits of one bank could not be transferred to another, it would result in a glut of money at one place while a scarcity existed at another. The bank would then be prevented from using its funds where they could be employed to the best advantage.

To overcome the objection to imported managers the local managers might all be chosen from home talent; but again, especially in small towns where a branch might operate where an independent bank would hardly be justified, this might deprive the branch of the services of a competent manager. If as a result of the extension of branch banking a good many bank officers lost their jobs, they would be competent to serve as branch managers. Whether they would be as well satisfied to be a branch manager of a big bank as to be an executive of a small bank, is another matter.

Much light could be thrown on the whole subject of branch banking were there available a complete study of the experiences of those banks where branch banking has been extensively practiced. As branches have not generally spread over the country, or even over any state (with a few exceptions) but have been chiefly confined to the cities where the parent bank is located, the materials for this study are somewhat limited. Still, it would be interesting to know how the people, and the independent banks, in those cities where branch banking is extensively carried on, regard these branches. Are they looked on with favor or otherwise?

PRESERVING THE FEDERAL RESERVE SYSTEM

ASSUMING that the Federal Reserve System is threatened by the withdrawal of state bank members, and the conversion of national into state banks in order to escape compulsory membership, a somewhat novel proposal for preserving the Federal Reserve System is made in a recent magazine article ("Two Dangers Threatening the Federal Reserve System," Raymond H. Lounsbury and Clyde Olin Fisher, "South Atlantic Quarterly.")

It is the contention of these writers that the act taxing the circulation notes of state banks virtually put an end, at that time, to state commercial banking, since loans were made from notes instead of from deposits. Holding that "experience seems to show that state control of banking, on the whole, is unsound," they propose that, "since checks today have taken the place of notes of the past," a tax of 10 per cent. be imposed on the checks of state banks. The power of Congress to enact such a law is predicated upon its action in taxing the circulating notes of state banks. "It had the power to tax notes 10 per cent., and why should it not have the power to tax checks which are also currency?"

The desirability of making banking an exclusive function of institutions chartered by the Federal Government has been discussed before, though not in exactly the same way as in the proposals referred to above, which would put the state banks out of business, as such, in order to preserve the Federal Reserve System. If the state banks wished to continue to exist, they could become national institutions. Should this plan be carried out, all incorporated banks would be under the authority and control of the Federal Government.

One striking fact in reference to state banks should not be overlooked; and that is, notwithstanding all the inducements held out for them to become national banks, they have survived as state institutions, far outnumbering the national banks and greatly surpassing them in aggregate resources. And as the state banks have existed for a longer time than the national banks, their continued vitality must be accepted as authentic testimony to their service to the community. Whatever their faults, the state banks have made a record that at once negatives any proposal for a compulsory change in the character of their organization. Those who suggest a remedy of this sort for preserving the Federal Reserve System would render a better service to the national banks by endeavoring to persuade Congress to equip these institutions as thoroughly for performing services to the public as the state legislatures have done in the case of state banks. For it is well known, that prior to the enactment of the Federal Reserve Law, Congress had been dilatory in moving in this direction. Even in the matter of establishing branches, Congress denied this right to the national banks while the state banks were granted this right and were vigorously exercising it. Now Congress, thus far without success, while seeking to extend the branch privilege to national banks, at the same time would limit existing and future rights of the state banks to expand their branches.

Since Congress can control the state banks in reference to branches only where the state banks are members of the Federal Reserve System, it will be seen that such control can never be effective in limiting branch banking if the state banks should value this privilege above membership in the Federal Reserve System.

Possessing as they do many common characteristics, it can hardly be said that bank checks are currency in the same sense that bank notes are. Although the latter are not legal tender, those engaged in business must accept them as a matter of custom. This is by no means true of checks. Their use is growing, even in retail business, but they are still far from having achieved the same universal acceptance as bank notes.

Whether Congress would have power, under the commerce clause of the Constitution, to impose a discriminating tax on the checks of state banks as it did on their notes, is not established. If bank checks are instruments of interstate commerce, so also are stocks and bonds, whose issue and sale the states control. Many arguments could be adduced showing the desirability of a uniform Federal code governing business transactions of many kinds. The improved means of communication and the practical obliteration of state lines, for commercial purposes, render the numerous and sometimes conflicting state laws annoying and often burdensome. But we do not seem as yet to have reached a point where public opinion would sustain so radical a change as would be involved in turning over to the Federal Government all the regulation of business now under state control. It may be doubted whether the destruction of the state bank notes would have been accepted so readily in ordinary times, for it must be remembered that the national banks and their notes were born of the Civil War.

Preserving the Federal Reserve System by forcing all banks into the national system is altogether impracticable. Could the Federal Reserve System be made so attractive that all banks would be eager to join it, compulsory membership would be unnecessary.

FALSE FRIENDS OF EUROPE

BEFORE now great men have prayed for deliverance from their friends. Such a prayer might well be offered by some of the European countries indebted to the United States. Their friends here are carrying on a propaganda in favor of debt cancelation, in face of the fact that such a campaign is not only altogether hopeless, but tends to stiffen the American attitude on this question. This view was recently well expressed in the *New York Times*, by James Speyer, the well known banker, who lately returned from Europe. Mr. Speyer said:

"As regards France, the prerequisite to stabilization is, of course, acceptance of the debt-settlement offered them by Great Britain and our own Government. It is very much to be hoped that the French people in their own, as well as in the general interest, may do this without undue delay.

"The few well-meaning people here who just at this inopportune time talk of debt cancelation, encourage false hopes in Europe and cause further harmful delay. They are also mistaken, I believe, if they imagine that if we now forgive all debts owed to our people, that this by itself would contribute toward future peace. One might rather say the contrary might be the result."

No doubt ex-Secretary Baker and Mr. Peabody are sincere in their efforts to bring about a modification of American opinion on this subject, but their attempts are harmful rather than beneficial.

Restoration of confidence is of prime importance to the prosperity of Europe. Proposals for debt cancelation by wealthy countries do not tend to restore confidence but to destroy it. The loss of credit which cancelation would entail would not be made up by the gains resulting from wiping out past debts.

INSTITUTE OF INTERNATIONAL FINANCE

UNDER the above title an institution has been formed in New York, by the Investment Bankers Association, to safeguard the interests of the American holders of foreign securities. As these holdings already aggregate large sums, and since some of the investments have been made rather hurriedly and without sufficient investigation, the services with such an organization will be able to render should be very great. Careful investigation of the character of foreign securities marketed here will not only benefit the American buyer of them but will tend to maintain that faith in these securities which is essential to their continued acceptance and popularity.

If all investment houses were thoroughly reliable—as the great majority of them are—the services of such an organization might not be needed. Generally, before buying and offering securities to the public, the investment house has made the necessary examinations, and as a rule the investor is quite safe in relying on these investigations. But there is some degree of variation in the reliability of investment concerns. Outright dishonesty is rare, but self-interest may sometimes operate to prejudice the investment house offering securities. Presumably, the Institute of International Finance will occupy an impartial position. It should therefore be in a position to render invaluable service to those desiring to purchase, or who have already purchased, foreign securities. It is believed that this service is one which legitimate investment houses will welcome.

THE McFADDEN BILL

WHEN Congress reassembles in December a renewal of effort to pass the McFadden Bill, which failed at the last session, will undoubtedly be made.

While there are several provisions of this measure (which, by the way, has been dragging through Congress for several years) worthy of careful study, the two provisions receiving the greatest share of attention are those relating to branch banking and the renewal of the charters of the Federal Reserve Banks.

The branch banking feature has occasioned heated controversy between those who would attempt to confine branch banks to the states where they are now permitted by law and those who would allow branches where state laws may hereafter authorize them. This limitation would be imposed by the Hull amendments to the McFadden Bill—amendments which the Senate has thus far declined to accept.

These restrictions on branch banking as provided for in the Hull amendments apply only to national banks and to state banks now members of the Federal Reserve System or desiring to become such. Congress has no power to circumscribe the establishment of branches of state banks, but it has power to fix the terms upon which state banks may obtain and hold membership in the Federal Reserve System.

It ought to be stated that the McFadden Bill does not contemplate the establishment of branches outside the immediate locality where the parent bank is domiciled.

The extent to which state branch banking has already developed makes it difficult to legislate purely with reference to the abstract merits of branch banks. Numerous branches of state banks are already in operation; and, unless the head banks are members of the Federal Reserve System, Congress can do nothing to prevent the continued operation of these branches or to stop their further extension. As the national banks lack definite legal authority to establish branches—at least to anything like the extent possessed by the state banks—they are at a disadvantage in competing with state banks for local business. In one of his reports the Comptroller of the Currency has characterized this disparity of powers as being serious enough to threaten the existence of the national banks. And one purpose of the McFadden Bill is to place the two classes of banks on a substantial equality with respect to authority to create and maintain branches. That this is desirable is generally conceded.

But the method of attaining this end has given rise to sharp controversy. Those who favor the Hull amendments do so on the ground that these amendments would act to confine branch banking within its present limits; not numerically, but with reference to the states permitting branch banking. They base this belief on the hope that by limiting the branch privilege (so far as it affects state banks members of the Federal Reserve System) the states that do not now authorize branch banking would not be inclined to do so in the future. Those who oppose the Hull amendments claim that their adoption would be an intrusion by the Federal Government upon the powers of the states, and would also keep the national banks from having branches in states that might hereafter authorize branch banking.

In short, a substantial part of the controversy rests upon the words "now" and "hereafter" as they relate to the authorization of branch banking by the states.

While the sincerity of the advocates of the Hull amendments need not be challenged, a serious doubt arises as to whether these amendments would achieve the ends their proponents claim for them. Clearly enough, they would put a restraint upon branch banking much greater than would exist should the bill be passed without these amendments. But would they really be effectual, after all, in putting a stop to the further authorization of branch banking by the states? That is the real question, and one which experience alone can answer. As a practical matter it resolves itself into whether branch banking or membership in the Federal Reserve System is the more attractive. If the state banks (and the national banks also) came to the conclusion that they would rather enjoy freedom in establishing branches than to be members of the Federal Reserve System, the enactment of the McFadden Bill, with the Hull amendments added, might have consequences which the sponsors of the measure do not foresee. But the bill without these amendments would permit branch banking to an extent which many bankers in the country bitterly oppose.

This bill (Hull amendments and all) seems less candid than a measure should be dealing with so serious a problem. Without these amendments the bill is clearly a proposal for extensive branch banking; but with the amendments it may prove ineffective in preventing the growth of branch banking. Only a comparatively small number of state banks have entered the Federal Reserve System. Can it be supposed that more will enter when the branch privilege is further curtailed? Will the state banks, possibly valuing the branch privilege more highly than membership in the Federal Reserve System, quietly slip out of the latter? And may not the narrowing down of the branch privilege to the national banks, as proposed, encourage them to take the same course?

When the Federal Reserve Act conferred trust company powers upon national banks, it was careful to say that such powers might be exercised when not in contravention of state and local laws. Congress might confer on national banks exactly the powers as to establishing branches which the respective states grant to banking institutions chartered under their laws. This would place the two classes of banks upon an equality with respect to branches. Unfortunately, it would not meet the views of those who oppose further extension of branch banking. Should the Hull amendments (by reason of the lack of power upon the part of Congress, except as stated,) fail to check the extension of the branch system we should have branch banking anyway. Again, with the limits of the Hull amendments, we shall have national branch banking in all the larger cities where state laws sanction branches, which will probably mean that 50 per cent. of the total population of the country will have branch banking service. If good for one-half the people, why not good for the other half? If bad for one-half, why not bad for all? The answer will be, of course, that branch banking is unobjectionable for the suburbs of New York, Chicago, Philadelphia, etc., but is intolerable for country towns. This answer assumes something that is far from being true—that the suburbs of these large cities have the same banking problems as the main parts of the respective cities.

Under the present situation many bankers see no way out except by passing the McFadden Bill with the Hull amendments; others as strongly oppose these restrictions. The difficulty seems to be that this measure is attempting to do two opposite things: it would both extend and restrict branch banking. It can effect the former purpose, but hardly the latter.

In view of the situation very careful consideration should be given to the effect this measure may have on the banking system of the United States.

The authorization of branches of national banks would call for a large degree of expansion on the part of these institutions, and would offer a temptation which might lead to dangerous conditions. Undoubtedly, a number of the national banks in the larger cities are strong enough to open branches, while many others that would be qualified to do so under this bill are clearly not in a position safely to extend their operations.

The immediate problem before the country is not to have more bank offices, but better banks.

It is to be regretted that the provisions of the McFadden Bill have been complicated by linking them up with a proposal for rechartering the Federal Reserve Banks. That so important a step should be taken merely by tacking a brief "rider" on the bill, is strange, to say the least. When Congress seriously addresses itself to a recharter of these banks, the entire Federal Reserve Act should be brought up for consideration —the recharter of the banks not being conditioned upon an alteration of the act, but opportunity being given for such improvements in the act as experience may have shown to be desirable. There are signs that point to the necessity of making membership in the Federal Reserve System much more attractive than it has been heretofore if a slow disintegration of the system is to be avoided.

NEW VERSES IN THE HYMN OF HATE

ADDITIONAL verses to the hymn of hatred of America, now being lustily sung all over Europe, have been penned recently by Rudyard Kipling, the British poet and novelist. The burden of Mr. Kipling's plaint is that although we came in only at the eleventh hour, we got the same wages as those who had been in the fight all day.

Much may be conceded to poetic license even when, as in the above instance, it handles truth with extreme economy. For it is of course not true that the United States asked the same "wages" as the other Allied powers demanded of Germany. An inspection of the balance-sheet made up at Versailles will show that nearly all the Allied powers asked big sums by way of reparations, and large concessions of territory, while the United States asked neither.

Poetic license probably accounts for the characterization of the war's returns as "wages." When we think what magniloquent terms have been employed to describe the rewards of the Great War, it comes as a decided shock to hear them alluded to by such a sordid term as "wages." Does this lamentation of the British poet express the national chagrin over the prospective loss of a portion of these "wages," and their diversion to a commercial and financial rival? Alas! Where are the rounded periods of Lloyd George, Wilson and Viviani? Where the noble purposes which, according to these orators, animated the breasts of Germany's enemies?

THE FLORIDA HURRICANE

FLORIDA was visited late in September by a disastrous hurricane, resulting in serious loss of life and property. The destructive effects of the storm were most severely felt on a narrow strip of land on the southeast coast, although a few points more toward the interior also suffered great damage.

About a year ago this state experienced a marked decline in the active real estate speculation, which had existed for some time, putting quite a strain upon the banks and business interests, which had, however, been remarkably well met on the whole. The hurricane has necessarily further added to the tension. But the energetic people of Florida have promptly set about repairing the havoc of the storm, and it is believed that the state will be able this winter to take care of the large tourist travel as usual.

The region devastated by the wind is one of the fairest in the world, and by its beauty and delightful climate has proved a strong attraction for the tourist and winter resident. All who have fallen under its almost magical spell will deeply regret the calamity that has been visited upon this delightful region. Fortunately, the energy of the people in rebuilding has been assisted by generous help from all over the country. The courage, resourcefulness and energy shown by the people of Florida in the past constitute a sure reliance for a speedy recovery from the effects of the recent storm.

PAYING FOR DEPOSITS

SOME interesting facts relating to the interest paid on deposits are given in a recent number of the monthly review of agricultural and business conditions in the Ninth Federal Reserve District (Minneapolis). Here are the statements:

"The prevailing interest rate paid on time deposits by national banks in this district has been reduced 1 per cent. or more between 1923 and 1926. Although the reduction has not been uniform for all banks, the most common rate paid has been reduced from 5 per cent. to 4 per cent. in Minnesota, Montana and South Dakota and from 6 per cent. to 4 per cent. in North Dakota. In the portions of Michigan and Wisconsin which lie within this district, there has been very little reduction in the rates paid, but these rates were already low in 1923.

"On June 30, 1923, nine national banks in this district were paying 7 per cent. on all or part of their time deposits; 229 banks were paying 6 per cent.; 475 banks were paying 5 or 5½ per cent.; 329 banks were paying 4 or 4½ per cent.; and only 102 banks reported rates as low as 3 or 3½ per cent. It must be noted that the total number of banks, adding the figures quoted above, is larger than the number of banks actually in operation because many banks reported two or more rates on different kinds of deposits. On June 30, 1926, no banks reported rates higher than 5 per cent. and only 56 banks paid as high a rate as 5 per cent. Of the remaining banks, 455 banks paid 4 to 4½ per cent.; 146 banks paid 3 or 3½ per cent. and one bank paid 2 per cent. on part of its time deposits.

"Interest paid on deposits by member banks in this district consumed 38 per cent. of gross earnings in 1923 and 39 per cent. of gross earnings in 1924 and 1925. A larger proportion of gross earnings was paid out in interest on deposits in this district than in any other district. The percentage for the member banks in the United States as a whole was 32 per cent. in 1923, 33 per cent. in 1924 and 34 per cent. in 1925."

It will be seen that could the banks be relieved altogether of the payment of interest on deposits their gross revenues would be largely augmented. Possibly, by some form of mutual agreement, the banks might further diminish their interest payments. Were interest on deposits discontinued altogether, funds now accumulating in banks might be kept more largely at home or invested in securities.

If the banks had the right to issue notes, they might be able to serve the community better than is now possible. In lending out deposits the banks must, in fixing the rate on these loans, take into account the interest paid on the deposits. But, assuming that notes and deposits both required the same reserves, bank notes could be much more economically employed, since the charges for engraving, printing and redemption would be much less than the interest now paid on deposits. Besides, a time deposit draws interest, whether loaned out or not; a bank note, in the tills of the issuing banks, costs nothing.

PROFESSOR RIPLEY'S CRITICISM

PUBLIC attention directed to corporate financial statements by Professor William Z. Ripley's recent criticism will tend to correct the shortcomings without the necessity for organized intervention, according to *The Index*, published by the New York Trust Company.

"Probably the very best result of the whole discussion is the wide-spread attention it has received," says *The Index*. "In the case of non-voting stock, the situation will tend to correct itself without organized intervention, as the corporations realize the trend of public opinion. There has been a marked change in the attitude of bankers toward non-voting stock issues since that situation was brought to public view. Standards of corporate accounting are higher today than ever before, and the individual corporation is realizing that the signs of the times are opposed to secrecy.

"The suggestion that the Federal Trade Commission should assume the responsibility for requiring adequate accounts from corporations has not been generally favored. Whether the commission has the power to obtain such information or not, there is a feeling that this is merely paving the road for political quasi-governmental activity, from the burden of which industry has gradually been freeing itself. Government intervention for corporate publicity is only the second-best method toward this goal.

"The New York Stock Exchange has taken the lead in demanding comprehensive information concerning the business of listed corporations. As far back as May, 1924, the president of the exchange stressed the importance of periodic financial statements by American corporations. At that time, 242 of the 957 corporations listed were issuing quarterly statements. Most of the listed corporations are now under agreement with the exchange to publish quarterly reports."

SOME AUTOMOBILES THAT HAVE PASSED ME

By Wallace Marshall

This article is not to be construed as an attack on instalment buying of automobiles. It is simply a presentation of a midwestern banker's view of some of the abuses of this plan of purchase.—The Editor.

The note teller had just received the tenth instalment on my automobile note. The payment pinched. The thought of the future instalments gave me a sinking feeling. Blowouts had required the replacement of two tires. There had been a doctor's bill. For years our family physician had rendered a bill only twice a year for his moderate charges, but he sent this statement promptly. He explained that he had to meet a payment on his car.

I directed my steps to the president's office to negotiate a small loan to meet my life insurance premium. The president met my requirements. He was not unaccustomed to making me small loans —over the next pay-day. Over a long period of years—since our high school days—our relations had been friendly, even intimate. Yet, when I borrowed, my banker friend could throw a smoke screen of banking atmosphere that for the moment submerged the friendly aspects of our relations. Years of analysis of the other fellow's proposition had developed his incisive method of dealing with any situation. Contact with the vicissitudes of business had dispelled all illusions. Dependence upon the uncertain and varying ability, industry, and integrity of borrowers had marked his temperament. He seemed to judge almost too severely upon a strict analysis of merits and defects. Through good times and bad he had unerringly steered his bank in safe channels. His judgment was respected, but he was not loved. He had asked too many borrowers what they owned, and what they owed, to have the warm affection of our community.

We entered upon our usual discussion of events in the town. Presently a prosperous looking man appeared at the door. I had seen him driving an expensive car about town. I arose to make my exit, but the president motioned me to my chair, and stepped to the outer office and conferred with his caller. When he returned he said smiling, "That is Mr. Brokingham. His immediate business was to inform me that he was unable to pay three months' delinquent rent on the residence which he occupies as my tenant."

"Can it be possible that a man who drives such a fine car is unable to pay his rent?" I ventured.

"Not only possible, but his inability to pay his rent is directly due to the fine car. He located here four months ago, and the quality of his car blinded me into renting a house to him without inquiry as to his responsibility. The car is his chief asset. That man belongs to the class we refer to in the bank as the 'fashionable poor.' They give gloss to the community, are particularly interested in the country club, and the society columns in the daily paper are filled with their activities. Many of them eventually tear into the profits of our local trades people. I also own five inferior houses on the outskirts of the city. Every one of these tenants is delinquent in his rent. The houses have no garages, but all the tenants have some kind of a car parked on the premises."

"You seem to be in an anti-automobile mood this morning," I ventured. "Why be a kill-joy? Everybody seems to be having a good time with their cars."

"Not every one," he replied. "A mail carrier just made an application for a $400 loan, with which to pay his wife's hospital bill, the grocery account and other bills for current living expenses. His creditors had complained to the postal authorities. He didn't look happy. His sole assets consisted of an automobile. The pastor of the local African Methodist church was just in to borrow $50, explaining that he was delinquent in the payments on his car. He didn't seem particularly full of joy. He said his congregation had lagged in meeting his salary. I reminded him that he had many prosperous hod carriers and pullman porters in his congregation, and he should collect his salary. He said that many of his people could hardly meet the payments on their cars."

"Our automobile dealers report that they are unable to supply the demand for cars," I remarked. "Automobiles have become an economic necessity."

"Perhaps you are right," said the banker, "but it is my opinion that they are an economic calamity to many people. They seem to have a strangle hold on all classes. They have caused a distorted perspective as to economic value. They have caused many people, like the mail carrier and the colored preacher, to thrust into the remote background the provision for the financial adversities that come to nearly every individual."

"How has the extensive purchase of automobiles on the instalment plan affected the banking business?" I asked.

"We are not losing any sleep over the conditions," he replied. "We make money buying automobile paper. For years we have purchased practically all the automobile instalment notes offered. In only a few instances have the payments not been met promptly at maturity, in which case we rely on the dealer's indorsement. In fact, automobile paper is about the only paper that is paid promptly at maturity. People may neglect their grocery, doctor and clothing bills, but their automobile instalments they always meet promptly. The dealer holds a club over them in that he can promptly repossess the car in event of default. Upon automobile paper purchased from dealers, the bank realizes from 16 to 22 per cent. interest. If we charged borrowers one half that rate on loans, we would offend the usury laws.

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"The automobile," said the banker, "has worked its way into the affection of all classes. Few have not felt its effect. The colored janitor of the bank—a man with five children, not owning his home —offered this morning to buy the bank's old wornout business roadster, if we could give him a year's time. One of our young men bookkeepers—recently married, still owing on his furniture— has just purchased a car on the instalment plan. I don't know whether to increase his salary or to fire him.

"An undertaker recently related a pathetic incident. A child died. The financial circumstances of the parents made it necessary for the city to pay the funeral expenses. The undertaker conferred with the destitute parents regarding simple services at the cemetery. He told the parents that he would convey the family to the cemetery, and was advised that the family would ride in their own car.

"My wife," said the banker, "takes an interest in church rummage sales. One of these sales was recently attended by a woman accompanied by five small children. Her story touched the hearts of the church women. She was in destitute circumstances. Her husband was out of work and the five poorly dressed children were good evidence of her great need. The mother was given a full outfit for each of the children. As she gathered the clothes in her arms, she was asked to wait a minute until the bundle could be tied for more convenient carrying. She said that that would not be necessary, as she only had to carry the clothing to her car at the door.

"A grocer recently sold a ham and a sack of flour on credit—moved to do so largely by the apparently destitute condition of the buyer. He later ascertained that the object of his sympathy had sold the articles and used the money to buy gasoline.

"You know Mrs. Gilbert, the one who runs a boarding house near one of the plants. Her daughter receives good wages as a waitress at the new hotel. The daughter's husband is also employed as a yardman at the hotel. The old lady furnishes them with a room. The hotel supplies good wages and their board. I remarked to the old lady that the young people ought to be doing well. 'Just fine,' she replied, 'they will soon have their car paid for.'

"One of our out-of-town customers recently asked me to undertake to procure a tenant for his large farm. I canvassed a considerable section of territory and made appointments to meet seven or eight prospective tenants on the farm. They were nearly all insolvent; that is, if they sold their implements and stock they could barely pay their debts. Yet they all drove over to the farm in large automobiles.

"I recently built a small modern bungalow to sell. Twenty-five people have been interested in buying it. Most of them are the better class of employed people. The maximum amount any one of them could pay down on the $4500 bungalow, was $300. Without exception they all owned good automobiles. Several had cars too large to be accommodated in the garage which was a part of the premises.

"A foreman at one of our plants desired to borrow $500. He and his wife had concluded to buy a home. His wages had been $350 a month for seven years. He had no children. He had provided no life insurance. He stands well in the business and social circles of this community. His personal qualities, such as industry and integrity, are highly regarded. Inquiry as to his assets revealed that he had $175 cash in the bank, $700 worth of household furniture and an automobile costing $2000, now worth probably $600. During the seven years he has owned four automobiles—all purchased on the instalment plan. He proposed to finance his home purchase by borrowing $500 from us on his unsecured note, by borrowing $2500 on first mortgage from the building and loan association, and giving the seller a second mortgage for $2000. The proposed loan did not meet the requirements of bank credit. The first step in a home-buying plan for any one, should be to save a part of the purchase price. His case is not an extreme one. It represents the average condition of hundreds of employes in this community. For years they have been working for their automobiles. The automobile instalments and car upkeep have prevented them from accumulating any reserve for home buying, investment or other business purposes.

"In many applications for credit, especially among employed people, an unwise purchase of an automobile on the instalment plan is the adverse factor that denies credit. I just had an application for a $130 loan to buy two cows. The intending borrower until recently had been railroad foreman at satisfactory wages. He lost his position and engaged in a small way in the dairy business. His entire business assets consisted of a three-acre suburban tract valued at $1000 and six cows valued at $300. This represented his investment in his business, out of which he expected to make a living for himself and his family. He also owns a $1300 automobile purchased about a year ago. He thus has an amount invested for pleasure purposes equal to the amount he has invested in his business. His automobile not only does not contribute to his success as a dairyman, but it is likely that the depreciation and upkeep of the car will absorb all earnings from his small dairy venture.

"Recently a young employed man applied for a $50 loan. His wife and child were sick and he said they needed more bedding. As a loan to buy bedding hardly meets banking requirements, he was referred to the instalment houses. He said he had been to them, but that they required half down. It was revealed that a large car, his only asset, was all he could offer as security."

"Do you regard our purchasing methods of today as being any different than at other periods?" I asked my friend.

"Yes. The extent to which people generally employ credit on the instalment plan in the purchasing of luxuries and non-essentials has never been reached in any other period. Yesterday when a school teacher paid his automobile instalment, I noticed that he also had receipts showing instalment purchases of a suit of clothes, a radio, furniture and a piano."

* * * *

"What will be the end?" I asked. "Everybody seems to be having a good time."

"The probable effect will be," said my banker friend, "that the next financial depression will immediately become acute with a great many individuals. Loss of employment cannot floor a man who has some reserve in the form of money or property. Temporary depression cannot ruin a business which has a reserve. But the individual whose reserve consists of an equity in an automobile cannot stand loss of employment, sickness in his household, or other adverse conditions. If our plants should close down, distress to many employes would begin the hour the plant closes. They have no reserve.

"Business has been quiet in this section in most retail lines for several years. One of the reasons urged for this condition is that the extensive purchase of automobiles on the instalment plan and car upkeep have necessarily reduced the purchases in other lines. We have mortgages for a maximum amount on several store buildings which are occupied by the owners. Many of these mortgages have delinquent interest and the taxes on the real estate are unpaid. All of these merchants are in distressing financial circumstances, and the outlook doesn't seem to improve. In all of these cases the owners of these buildings own expensive pleasure cars. The contingent reserve that they should have provided has been employed in the purchase of cars. Our state produces no raw material nor finished article entering into the manufacture of an automobile. Yet we have one automobile for every five persons in the state. We could comfortably seat the entire population of our state in our automobiles. Whether this is a condition to boast of or to lament, I cannot say.

"Whiskey and gambling were formerly pointed out as the means of the financial downfall of many people. In my business experience there have been a few instances where drinking and gambling were the chief contributing factors to economic distress of individuals, but the percentage of people who were thus affected was very small. But the automobile has affected all classes. We seldom meet a case where an individual is in financial distress, that the unwise purchase, on the instalment plan, of an automobile, has not loomed large as the chief contributing cause."

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"Are people more extravagant today than in your early experience?" I next inquired.

"The old people of every age," said the banker, "have always condemned the extravagance of their particular day. It may be that I am influenced by this rule. The complaint is as old as Moses. When I first worked in this bank—thirty years ago—the president was a man well along in years. His activity in addition to making loans, was playing checkers, chewing tobacco, stroking his beard, complaining of his liver, and in particular condemning the extravagance of the people. One day a merchant customer complained of the dulness of the times. The old gentleman said, 'How can you expect business to be good in this community?

Just look out across the square. See those buggies. It's getting so that every farmer thinks he has to have a buggy. Such extravagance is ruining the country.' A few years later he was condemning the bicycle. Even the pulpit of the country raised its voice against bicycles as affecting church attendance. When I was married thirty years ago, everyone in this town lived like poor people. Now we have passed into the automobile age, and all want to live like we were rich. How will it work out? Well, your guess is as good as mine, but we know the country has survived each of these forms of alleged extravagance."

TEN RULES FOR HEALTH, HAPPINESS AND SUCCESS

THE following ten rules for health, happiness and success are set forth by F. E. French of the John V. Farwell Company, Chicago, writing in the *Credit Monthly* published by the National Association of Credit Men. Mr French, who has had forty years of experience, had credit men in mind in writing these rules but they apply with equal force to bankers:

1. Keep short hours, never more than eight hours a day. In any day keep under seven hours of actual effort. The nervous force used in that time is all you can give in the active life of a credit manager.

2. Take a real vacation every year and let it be three weeks rather than two.

3. Have your shoes and bed comfortable, for in these two "vehicles" your body will spend all its years.

4. Eat only what you can digest properly and only as much as is suited to the exercise and fresh air at your command. If your friends wish to talk business at luncheon, hunt for other places to eat. There is a time for everything; don't try mixing business with relaxation.

5. Begin your day right. Never leave home in an upset state of mind. Never run for a train.

6. It has been said that no man can be a real gentleman who does not have a sense of humor. Let your spirits be alert for the amusing. Enjoy a hearty laugh. It does away with the gloom of everyday life. It aids digestion and expands the muscles.

7. Avoid the misplacing of nervous energy by the writing of long business letters as they are in most instances unfavorably received.

8. Have your teeth cleaned and examined by a dentist every six months. If you are over 40 years of age, have your eyes examined every five years, while if over 50 years of age, have a good diagnostician periodically give you a thorough physical examination.

9. If you are successful in accumulating more than your present and future requirements, make your gifts while alive and thereby enjoy the pleasure they give to others.

10. Keep your conscience clear. Do not ask any one to sign a paper that you yourself would not sign were you to change places with him.

DOES BRANCH BANKING CHECK BANK FAILURES?

BY JOHN M. CHAPMAN

DURING the last two or three years much attention and discussion have been devoted to branch banking and bank failures, two very important and interesting phases of American banking. The large number of bank failures, especially among the small banks has given rise to many questions regarding the underlying causes for these failures. Have these failures been the result of inherent weaknesses in our banking system? Has mismanagement or fraud been the primary factor in the situation? Have bad loans been responsible, or has it been the result of an "over banked" condition? Other questions have arisen as to whether a small bank is more likely to fail than a large bank or whether a bank operating branches is more apt to fail than one not conducting branches. Would the substitution of branch banking for unit banking tend to lessen bank failures and losses within the country? The importance of each of these problems makes it worth while to consider the relationship between them and to ascertain in so far as possible from available data to what extent banks with branches have failed and whether they are more or less likely to fail than banks without branches.

Considerable effort has been made to ascertain the extent to which banks operating branches have failed since 1906. The data thus assembled show that about forty-five banks with branches failed or suspended operations, at least for a period of time, from 1907 to 1924 inclusive. These forty-five banks had in operation at the time of failure ninety-five branches, fifty-two of which were located within the corporate limits of the city of the parent institution, and forty-three of which were located outside the limits of the parent bank. The total capital and surplus reported for these banks was approximately $29,406,000 or a general average of $653,000 per bank. The total resources were $159,257,000 or an average of $3,539,000 per bank. The banks operating branches which have failed had on an average of slightly over two branches per bank. Reports show that three banks with a total of five branches failed in 1925. Since the beginning of 1926, the most reliable available data show that there have been four banks with a total of twenty-three branches placed in liquidation. Reports have been given out in newspapers showing that one or two of the banks failing in 1926 have been reopened or will be shortly.

A brief survey of failed banks with branches reveals the fact that the forty-five banks were geographically distributed throughout fifteen different states ranging from one to ten banks per state. New York had seven branch bank failures in 1907 and three in 1910. Georgia, with seven banks, ranked second. All the failures in Georgia have occurred since 1919. It might be interesting to note that of the forty-five failed banks, twenty-two had total resources amounting to over $1,000,000 per institution. Six banks had total resources each of $10,000,000 or more. It should be further observed that among the branch banks which have failed during 1907 to 1924 there are no national or mutual savings banks.

One of the most important phases of the discussion of bank failures is that regarding the underlying causes which have brought about or made possible such a situation. This is especially important in the treatment of branch banking and bank failures. The Comptroller of the Currency in each annual report lists a large number of causes for national bank failures. Some are indefinite and do not mean much unless the facts of the individual failure are understood. The official causes given by state bank superintendents are much less numerous. In fact in many cases the causes are not stated. Twelve of the forty-five banks failed from making excessive loans, ten from incompetent management, seven from low reserves and frozen loans, and sixteen from other causes. However, it is clear that bad management and frozen and excessive loans are the chief causes for these failures. Dishonesty of bank officials has been given in a few cases. The fact that these banks have only a few branches still leaves in doubt whether or not they would have been able to withstand the strain had they had a large number of branches scattered about so as to get a diversification in their loans and discounts.

BANK FAILURES IN THE UNITED STATES

A careful study of bank failures in the United States shows that from 1900 to 1924 more than 3000 national, state banks and trust companies have failed or been suspended. Of this number about 375 were restored to solvency and over 2700 were thrown into liquidation. The total resources of all failed banks amounted to $1,461,000,000 while those of the banks restored to solvency were $263,700,000 leaving $1,197,700,000 as total resources for all banks thrown into liquidation. The period from 1919 to 1924 shows that the total number of failures for national, state banks and trust companies was 2223 with total resources amounting to $905,500,000. Of this total 274 banks with $88,000,000 resources were restored to solvency, leaving 1949 banks with total resources of $817,100,000 which were thrown into liquidation.* During the period 1919 to 1924, there were on the average 21,100 state banks (commercial), trust companies, mutual savings banks, and stock savings banks. The total number of failures reported for all state banks and trust companies was 1693, or a yearly average of 282.

The average of all failed banks is much less than the average of banks in operation, having total resources of $379,000 and $1,412,000 respectively. Likewise, the average of branch banks in operation is much greater than the failed branch banks. The average sized branch bank, either failed or active, is much larger than the average of all state banks, either active or failed. If we take the annual average number of banks in operation from 1919 to 1924, which was 21,100, in comparison with the annual average of failed banks for the same period we find that on an average each year 1.33 per cent. of all state banks in operation failed whereas the same data for branch banks shows only .65 per cent. Or, if we take 21,100 as representative of the number of banks in operation and compare this with total number of failures, we find that a 8.01 per cent. of all state banks failed during the period 1919 to 1924. A similar comparison for branch banks shows a percentage of 3.95 per cent. These statistics show that branch banks, in comparison with all state banks, are less likely to fail.

Since the small bank is more apt to fail than the larger bank, it appears certain that an increase in the capital requirements of banks would be one very effective way of increasing the safety of our banking system. In some states banks have been organized with a capital of $10,000 or less. Such banks may be found in North Carolina, South Carolina and Tennessee. There are in

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*H. Parker Willis, testimony. Hearings before a Sub-committee of the Committee on Banking and Currency, United States Senate, 69th Congress, 1st Session on S 1782 and HR.2, February, 1926, p. 96.

Georgia a very considerable number of banks with a capital of only $15,000 each. In other states numerous small banks exist. While many of these small banks are doubtless in a sound and prosperous condition, the general practice is a hazardous one. The small banks cannot properly finance the business of their communities in many cases due to the necessary restrictions on the size of the loans which they can safely or legally make to individual borrowers. The failure of two or three of their large customers may tie up such a bank so that, even if it does not close, it cannot properly function. It is certainly time that the capital requirements of banks should be not less than $25,000 each and the system as a whole would be far sounder if the lower limit was not less than $50,000 or $100,000. To increase the capital requirements would mean a corresponding decrease in the total number of banks in operation. This, it may be fairly claimed, would take away banking facilities from certain communities. In some cases two small banks might unite in particular communities to form a larger one.

EXTENSION WOULD LESSEN DANGER

A limited extension of branch banking would greatly lessen the danger of failure and increase the banking facilities for the community. The diversification which the branch institution would secure would make it safer than a large number of small independent banks. Moreover, there would be small branches or offices established in many places where an independent banker could not find sufficient volume of business to make a bank with a fixed amount of capital and expense a profitable enterprise. The adoption of a limited form of branch banking would, therefore, make possible this increase in capital without decreasing the banking facilities to the public and at the same time greatly lessen the dangers through failures.

The branch bank failures in Georgia are more similar to the recent bank failures in the West and Northwest. The number in Georgia, the largest for any state except New York, reached seven during the years 1920 to 1924. More interesting and to the point is the fact that all of the branch banks in Georgia failed during the recent epidemic of bank failures in this country. They were all small, however, and actually had only one branch each at the time of failure. They could not be considered more than unit banks because the limited number of branches made it impossible for them to realize the advantages ordinarily derived from a well distributed group of branches. In 1925 another bank with one branch failed. It was also a small bank with total resources of only $488,000.

The largest branch bank failure in Georgia occurred during the most recent crisis (July, 1926) in bank failures in Georgia and Florida. No less than three banks with branches have failed, two of which were small, with but one branch each. The third failure was the Georgia State Bank of Atlanta with nineteen* branches located outside Atlanta. The capital of this bank was about $500,000 and total resources $4,471,000. According to reports, the underlying cause for the sudden downfall of these banks was the fact that they were tied up with a chain of banks in which a large number of banks had failed, both in Florida and Georgia, due to bad bank management. The suspension or closing of the head office, which did not do a real banking business, of this chain left many of its members in a serious condition, so serious in fact that many were forced to close to prevent further losses of their assets.

This debacle in Georgia only serves to emphasize again the evils and dangers of chain banking. Many chain banks have

*The recent newspaper reports give only eighteen branches. The Annual Report of the State Banking Department for 1924 lists nineteen branches.

failed in the Northwest and western states. Just a few months ago a failure of a chain was reported for a middle western state. Whole groups have failed but the number in no case studied has approached the number failing in Georgia. The head office of the Georgia chain was not even under the control and supervision of the state banking department. Such organization should be far more closely supervised than small unit banks with a few thousand dollars capital. The small bank may, and frequently does, fail but the extent of the damage is small as compared to the present situation in Georgia. The three branch banks which have just failed would have been more correctly called members of chain banks than branch banks, though legally of course properly falling in the branch banking group. Recently a bank with two branches was closed in South Carolina. One failed in New Hampshire in 1925 with two agencies, offices for receiving deposits.

FAILURES IN AUSTRALIA AND CANADA

What has been the experience of foreign branch banking countries? In 1893, there was a veritable epidemic of bank failures in Australia. During the first half of that year fourteen banks failed. One writer describes the situation as follows:

The collapse within a short period of two months of no fewer than fourteen banks, with liabilities close upon eight million sterling in the form of deposits alone is fortunately an occurrence without parallel in the history of banking.* There were in operation at the beginning of 1893, twenty-six banks. Some of the institutions which were closed were later reopened.

There had been prior to 1893 a great expansion in Australian banking business. In January, 1893, the total deposits amounted to 153,000,000 pounds, of which about one-third were British. Much effort and money had been expended to secure these foreign deposits. Funds had been flowing toward Australia. This inflow was checked by the crisis and shortly afterward a movement of funds from Australia to England took place. This latter movement had a marked influence upon the banking situation, causing many banks to close as already indicated. During this pre-crisis period the banks had extended their loans extensively. As is frequently the case in a rapidly expanding economic situation, bankers did not always take the greatest care in extending credit. State governments also borrowed heavily to develop the country. Banks in order to employ their funds made extensive loans on "sheep runs" and real estate, the value of which was out of line with the returns which such property would yield. Such loans were not liquid and created a condition which has been referred to in this country as "frozen loans." In other cases values shrank so that the loans could not be realized, causing heavy losses to the banks and forcing many into liquidation.

The efforts to extend branches magnified the financial difficulties greatly. During the period of rapid expansion, the branch bank managers in their enthusiasm to increase both their volume of business and their influence, extended their branches too rapidly. Competition ran high among the banks and often too many branches of different banks were established in towns where the volume of business did not warrant such extensions. The condition was certainly not due to the lack of competition as it is claimed would be the case in this country if we were to adopt branch banking. Branch banking certainly did not prevent bank failures in Australia in 1893. Neither did unit banking in the United States.

The causes underlying the failure situation in Australia appear to be twofold. The first was due to the action of the state governments in Australia in increasing their public debt for the con-

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Banker's Magazine (London) vol. 56, pp. 52-53.

struction of street and steam railways, telegraphs, water supply, sewerage systems, docks, wharves, etc. The second and outstanding cause must be laid upon the bankers themselves. They had overexpanded their banking machinery and extended credit without proper safeguards.

The bank failures of 1893 could not, therefore, be said to be a result of branch banking but rather to bad management and the absence of proper laws regulating their operation. It is evident that banks failed at that time extensively in both unit and branch banking countries. It must certainly be clear that branch banks are no more apt to fail than unit banks and, in the judgment of the writer, branch banks are less likely to fail. The decision as regards branch or unit banking so far as failures are concerned is in favor of branch banking. Anti-branch bankers must find other reasons for adhering to the unit system as against a branch banking system.

COMPETITION AND BRANCH BANKING

In 1870 there were nineteen chartered banks in operation in Canada, a branch banking country. This number was increased to forty-one during the years 1885 and 1886. The number decreased to thirty-six in 1900. Since 1900 the total was further reduced through mergers and failures so that by 1920 only eighteen were left, and at the opening of this year, 1926, there were only twelve. Since January 1, 1926, one merger has taken place, leaving only eleven banks in Canada at the present time. The first recorded failure occurred in 1868. During the period 1868 to 1925 inclusive, twenty-six banks have failed. Of the twenty-six referred to, seventeen occurred prior to 1900. A study of the total losses of the depositors of Canadian failed banks with the depositors of failed banks in the United States shows that the former group lost much less proportionately than in the United States.

The opinion is widely held in this country by anti-branch bankers that competition would be greatly lessened, if not eliminated, were we to adopt a general branch banking system. It is claimed that large city banks would gradually extend their chain of branches into the smaller cities, towns and country districts and, after they had eliminated the smaller competitors, the charges to customers could be increased to make good any losses sustained during the transition period. This method would be logically carried to the point where a complete monopoly of the banking business existed. Less attention would then be given to the local needs and, in the long run, the business community would suffer by reason of the absence of competition.

The proponents of branch banking maintain on the other hand that competition would become keener and keener. They claim that each branch bank would strive to extend its branches to various communities to increase the volume of its business. The same cause would act upon other branch banks so that they would seek to establish branches in competition with each other to such an extent that the banking facilities would be greater and less expensive. Moreover, they argue that branch banks can be established in small towns where it would not be profitable for an independent bank. The safety derived by reason of the larger bank's connection with other cities and localities would render such a branch not only profitable to the owners but more beneficial and safer to the community as a whole. Banks with a small capital cannot reach out, cannot diversify their loans and discounts, hence are less able to stand a business depression or financial strain. What is more important, many localities would have banking facilities at home that do not now have them.

BRANCH BANKING AND SUPERVISION

It is evident now, the writer believes, that branch banking is not and never has been an absolute protection against bank failures. The experience of Canada and Australia in the past testify to the accuracy of this statement. The recent experience of certain European countries gives further proof in this regard. The success of any banking system depends more upon its management than any other single factor. Branch banking with inefficient management is likely to fail. The loss is greater and more severe when a large branch institution fails for the simple reason that more depositors, stockholders, and a larger public are caught in the whirlpool. In the last analysis the branch system by reason of the greater diversification in loans and other sources of business is safer under the same type or character of management. Given the same management, the branch bank is more likely to live through a panic or period of depression.

In both Canada and Australia the failures have occurred at times when there was scarcely any government supervision. Had the banks in both these countries been subject to thorough, competent supervision, it is quite likely that the number of failures would have been far less. The banking department should have authority to reject both the applications for new bank charters and new branches.

If we are to extend branch banking in this country, all laws permitting branches should make proper provision for examining and regulating the establishment and operation of branches. To fail to make such provision is only to invite dangers which are now common in many states where the state superintendent of banks does not have power to reject charters. Banking has not been and will not be for many years, advanced to the point where it may be safely permitted to go on without effective public supervision and regulation. This has been emphasized time and again by the failure of both large and small banks in this country. The most recent case is, of course, the one in Georgia and Florida where it has been reported that nearly 150 banks failed within two months, most of which were chain banks and some of which were operating branches as well.

CONCLUSIONS

From our study of branch bank failures both in this country and abroad, it is evident that branch banking has not and cannot be accepted as an absolute protection against bank failures. Branch banking will not prevent the destruction of a bank through bad management. What may be expected is that under a given type of management the branch bank is less likely to fail than an independent bank. The branch bank by reason of its size can afford better management and hence is less apt to fail through over-extension of credit.

While our branch banks in this country are not exactly comparable to those in Australia and Canada, a larger number have failed in the United States than in either of these countries. This comparison is not conclusive because our branch banks are small, often country banks with one or two branches, and more like our unit banks than Canadian branch banks. If we compare, however, all the bank failures in the United States with those in Canada or Australia, we find that the results are in favor of the branch system. Comparatively speaking the branch banks in Canada have been less likely to fail than our independent banks.

A comparison of branch failures in the United States with all bank failures in the United States (not including national banks and private banks) shows that notwithstanding the fact that more than fifty branch banks have failed since 1906, the percentage results indicate that our own little branch banks have been less apt to fail than our independent banks. If we limit our comparison to the period 1919 to 1924 (the period on which our data are most complete and satisfactory) the evidence is more favorable to branch banking.

The time has surely passed when commercial banks should be allowed to incorporate with capital stock of less than $50,000—$100,000 would be safer. Such an alteration in the requirements of banking in this country would lessen the danger of bank failures. A limited extension of branch banking would provide banking facilities for communities not financially able or industrially developed to maintain or support an independent institution. After all, the business community is primarily interested in a safe, adequate banking system. The interest in branch banking or unit banking as such is secondary.

No national banks or mutual savings banks with branches have failed. The number in each of these two groups which operate branches is, however, relatively small when compared to the number of commercial state banks, stock savings banks and trust companies.

Excessive loans, frozen loans and incompetent management are the principal reasons assigned for branch bank failures.

Competition among banks will not be lessened. It will be limited to fewer and larger banks. The records of foreign branch banking countries show that competition is still in evidence in those countries. Branch banking may lead to financial troubles where proper supervision and regulation are lacking. These are necessary in both branch banking systems and in independent banking countries.

OPPOSES TAX REDUCTION NOW

AS a factor in maintaining the public credit, J. H. Tregoe, executive manager of the National Association of Credit Men, advises in a statement issued recently to the association's membership that our national debt be paid as soon as possible but that to reduce Federal taxation now would impede this healthy process.

The statement reads in part as follows:

"The idea of reducing taxation by extending the period of time in which the national debt may be paid is not a sound deduction nor an expedient that accords with the maintenance of the public credit. The carrying charges of our national debt, approximating $800,000,000 annually, is a larger sum than was the entire cost of the Government a few years ago. It is not alone a point of prudence but a point of good faith that the debt should be paid just as rapidly as the national income permits. If this is not done, any interlude in business, with a resulting decrease in the national income, would bring about an embarrassing situation and would undoubtedly reflect on the public credit.

"Certain conditions attach also to the loans made by our people to the Government and these conditions should be lived up to under all circumstances. The issue in this instance is not political, but economic, and involves the public credit in which we should have a strong pride. We can better afford to pay the tax necessary for the amortization of the debt under the present plan than to pay a smaller sum with the danger of conditions that might be embarrassing to the public credit and in the long run more expensive in the carrying out of the present program.

"When the credit of a government is impaired or under strain, private credits suffer by reaction and trade movements become adversely affected. In the public credit of our country, Congress has too frequently been governed by the pressure of immediate conditions without considering fundamental principles and without attempting to forsee what might happen by following any particular line of legislative action in the future."

THE BANKER AND THE RAILROAD—METHODS IN RAILROAD FINANCING

By Burnham Carter

FROM January 1, 1920, until June 30 of this year—that is, for the last five and a half years—the railroads have issued new securities, including refunding issues, to a grand total of $3,501,910,999. With the exception of public utilities, this is by far the largest amount of new financing undertaken by any one industry. The progressive improvement of the country's railroad system will hardly permit any decline in these new capital requirements during the next few years.

The problem of railroad financing, therefore, is a problem vast in its consequences, involving not only the railroads and their bankers, but hundreds of thousands of investors—and, it might be added, hundreds of thousands of travelers. The methods of successful railroad financing have very rightly been subject to scrutiny.

The usual method of issuing securities is to sell the issue to the company's regular bankers for final offering to the public. In both Europe and the United States most of the large corporations handle their financing through a particular banking house with which the corporation has probably been dealing for some time. This has been the custom for years. There has never been any serious objection to this method as far as industrial corporations are concerned. The benefits of a long-standing relationship between a corporation and its banker, insuring intimate knowledge and continuous counsel, have been generally recognized. For the railroads, however, long-suffering in matters of regulation, Chairman Eastman of the Interstate Commerce Commission has been advocating a process of competitive bidding by bankers for the purchase of these securities.

ASKING FOR COMPETITIVE PRICES

Chairman Eastman wants to be sure that the railroad gets a fair price from the banker for its securities. He admits that "recent prices obtained by railroad companies for such securities are apparently not open to a great deal of criticism." But he believes that it would be a better practice if railroads were to ask for competitive prices from their bankers just as they ask for competitive prices from companies supplying their equipment.

This is not a conception upheld by most railroads or most bankers; it is not supported by Chairman Eastman's colleague on the commission, Thomas F. Woodlock. Mr. Woodlock has pointed out (in concurring with a recent decision of the commission permitting the Pennsylvania Railroad to issue equipment trust certificates through its regular bankers) that there is no business in the world more highly competitive than the banking business in New York; and since the relationship between railroad and banker is rarely by contract and can be terminated at any moment, no banker can afford to quote anything but his best price for the purchase of the securities. And this price is itself subject to the approval of the Interstate Commerce Commission.

But the difference between these two methods of railroad financing is more fundamental than the comparative economy of the transaction itself. The services of a banker to a railroad include much more than the marketing of a specific issue of securities. The banker grows familiar with the peculiar conditions of the railroad over a period of years. His acquired knowledge makes it possible for him to anticipate the railroad's requirements and to decide upon the amount and the type of securities to be issued. His watchfulness over the railroad's financial condition must be constant. He must stand ready at all times to lend immediate financial assistance.

Obviously, these are not responsibilities to be assumed by a banker whose task begins with competitive bidding for the securities, and ends when the securities are sold. The financial security of the railroad and of the investor in railroad securities must be less where the banker's service is temporary.

It is not altogether accurate, therefore, to compare the relationship between a railroad and its banker with the relationship between a railroad and the company from which it gets its supplies. The relationship in the first instance is more nearly that of a lawyer and his client—a *professional* relationship involving tasks quite different from the mere purchase and sale of materials. The banker's experience, his prestige, his counsel are at all times at the service of the railroad.

ASSURING THE RAILROAD NEW CAPITAL

Supposing, for example, that a railroad must secure new capital for needed improvements at a time when conditions in the security market are unfavorable. It is known that the public response to the offering will in all probability be small. Nevertheless, the banker assumes the responsibility for the issue and carries the unsold balance himself until an investment demand develops. The railroad thus is assured of the most essential factor in its program: It is *guaranteed* the receipt of the funds for which it had planned.

This is a common enough incident in railroad history. In June, 1919, for example, the Baltimore & Ohio Railroad Company sold to its bankers $35,000,000 ten-year 6 per cent. gold bonds at 93½ per cent. The syndicate formed by the bankers remained in force until January 30, 1920. The bonds dropped to 83⅝ per cent., and the bankers had to absorb 23 per cent. of the issue. This assurance of adequate capital has unquestionably been of distinct financial advantage to the railroads and has played an essential part in their steady progress.

The protection of the market for securities already outstanding is, of course, of great importance for the continuance of public confidence in the future issues of that railroad. In the event of competitive bidding among bankers, no one would be interested in supporting the market for the company's outstanding securities; prospective bidders would, indeed, be benefited by a decline. But if the banker has a relationship with the railroad that is more than temporary, it is distinctly within his province and to his advantage to maintain the market for the securities already sold. To a certain extent, the banker is willing to repurchase bonds sold by him, so that the investor can sell his securities at a fair price within a reasonable time after having bought them. It is this confidence that has contributed to a considerable degree to the creation of an investment public which in the last five and a half years has absorbed over $3,500,000,000 of railroad securities.

It would seem natural, therefore, that the railroads should prefer the existing method of selling securities through their regular bankers. Certainly the investor prefers it because of the added security obtained. The traveling public may not think so much about it if the service is efficient and the dining-car attractive. But it is a method that has been approved by the Interstate Commerce Commission for a number of years; and if the commission is to change its attitude, it must find someone who will benefit thereby.

THE TRADING BANKS IN AUSTRALIA

By R. H. Simpson

AUSTRALIAN banking has been developed since 1817 principally through the activities of the joint stock banks, generally referred to as "the trading banks." Their operations have been practically free of burdensome legislative restriction, and until the Commonwealth Bank of Australia, inaugurated in 1912, commenced operations, they were the only institutions which provided general banking facilities in the Australian Continent. Up to the present they have not provided savings bank facilities, this class of business being for many years attended to by purely savings banks, which are practically instrumentalities of the various state governments. They have attended to their particular portion of the financial structure, but their ambit has been strictly limited, and they have done little more than provide facilities for savings. The resultant funds have been invested in government securities and first-mortgage loans on real estate. In 1921 the New South Wales Savings Bank was authorized to open a general banking section, known as the rural credits department, which operates in the same way as the trading banks, except that its loans are limited to primary producers or persons carrying on industries immediately associated with rural pursuits. It is proposed to add a similar section to the Victorian State Savings Bank, and in South Australia the state bank provides general banking facilities, but is not attached to the savings bank's organization.

The Commonwealth Bank conducts a savings department as well as its general banking section, and since 1924, when its control was vested in a board of business men, it has also managed the currency note issue. In 1920 it absorbed the business of the Queensland State Savings Bank.

Prior to 1911 the trading banks issued their own notes, which had a wide circulation, and were a most useful addition to the gold currency, with which they had equal acceptance, although they were not legal tender. There was no restriction upon their issue, other than a tax of 2 per cent. per annum, levied by the state governments upon the amounts in circulation. No inflation could be traced to over issue at any time and they provided an elastic, sound and economic currency which was automatically regulated by the varying needs of the community.

GOVERNMENT TAXED BANK NOTES

When the commonwealth government made its own issue of currency notes, it instituted a tax of 10 per cent. per annum on all new issues of bank notes, which made them unprofitable and led to their withdrawal from circulation. Though the loss of this facility limited the usefulness of the trading banks, they have continued to make marked progress and to conduct by far the major portion of the general banking business. Owing to the system of receiving deposits from customers for fixed periods ranging from three months up to two years, and to the high regard in which they are held by the people generally, the trading banks have been able to assist production by making loans on all classes of real estate, practically all of them on the overdraft system.

The system of land registration has been favorable to this form of lending, and thousands of loans, ranging from a few pounds up to large amounts, have been advanced against the security of title deeds relating to farms, pastoral holdings, dwellings, shops, factories, etc., due regard being paid to the margin of value and the income-producing capacity of the security. Owing to the extensive system of branch establishments throughout the country districts in all the states, the trading banks have been able substantially to assist rural production by widespread loans to farmers, aggregating a very considerable amount.

Commercial needs are fully catered to by overdrafts, discounts of bills and acceptances, purchases of foreign bills, issue of letters of credit, drafts, transfers by mail, telegraph and cable, sale and purchase of foreign exchange, and all general facilities. A small service charge of ten shillings per annum is made on current accounts, with some exceptions.

Safe custody facilities are provided and the installation of safe deposits is being extended in the capital cities.

The trading banks do not cater to trustee and executor business, which is conducted by corporations specially formed for the purpose, and sales of stocks, bonds, debentures, loan flotations, and similar transactions are generally attended to by the members of the various stock exchanges. The trading banks, however, have been interested in most of the government loans floated overseas and have assisted, by providing special facilities and underwriting, the flotation of the large amounts required for war purposes, subsequent renewals and other transactions of moment.

The trading, joint stock banks of Australia, excluding a few small local institutions and offices of overseas banks, number thirteen.

The extent of their combined business in Australia is indicated in the following table, extracted from the summary of returns made to the commonwealth treasury June 30, 1926:

LIABILITIES

Capital paid up	£33,459,000
Reserve funds	25,408,000
Profits carried forward	1,057,000
Bills in circulation	2,785,000
Deposits, bearing interest	148,803,000
Deposits, not bearing interest	110,992,000
Total liabilities	£267,980,000

ASSETS IN AUSTRALIA

Coin and bullion	£26,426,000
Australian treasury notes (currency) and balances with Central Bank	22,497,000
Government and municipal securities	12,999,000
Landed property including premises	6,319,000
Other assets, principally advances	210,585,000
Total assets	283,700,000

Number of branches, more than 2600.

A CONTRIBUTION FOR JONES

THE monthly "Letter" of the Cedar Rapids Savings Bank and Trust Company, Cedar Rapids, Iowa, relates the following thrift anecdote which is very much to the point:

A new customer tells this. He's a young fellow making good fast. He said: "My boss pulled a good one. He called me in and said, 'I want $10 for old man Jones who works on the books. His wife just died.'

"I gave it to him gladly. He put on his hat and told me to come along. We came here to the savings teller and he started a savings account with my ten spot in my name.

"I asked him the idea and he told me, 'You make plenty and spend it all. So did old man Jones—once. And I don't want you in his position—ever.'

"I got the point all right and I've been coming regularly ever since. The boss has the right dope all right. I'm starting on a bond today. You just watch my dust."

OSCAR WELLS
Retiring president American Bankers Association and president First National Bank, Birmingham, Ala.

THE FIFTY-SECOND ANNUAL CONVENTION OF THE AMERICAN BANKERS ASSOCIATION

TWO subjects not on the program at the Fifty-second Annual Convention of the American Bankers Association, held in Los Angeles, Calif., from October 4 to 7, intruded themselves into the thoughts of the delegates probably as much as the regular program. The subjects were branch banking and financial help for the cotton planters of the South. The latter subject was not included in the program probably because it had not reached its present critical stage at the time the program was made up.

But branch banking is a subject that is brought up at almost every convention of the association. Strenuous efforts were made to keep it out of this meeting. It was felt that any discussion of branch banking in California would be discourteous to the California bankers—the hosts. This fact, instead of detracting from the vigor of the debate, seemed to lend glamour to the idea of fighting it out right there.

Finally, when it was recognized that a discussion of the question was inevitable, it was decided to make it a thorough one. An evening session was set aside and devoted to the discussion of branch banking, particularly the relation of the McFadden Bill to it, to the exclusion of all other subjects. This session attracted more attention in the newspapers than all the rest of the convention. It is reported more fully elsewhere in this issue.

The remainder of the convention followed the usual plans. The general sessions were addressed by prominent men on general topics—education, public finance, and the influence of prosperity on culture—and the various divisional meetings devoted themselves more or less to the technical questions of banking with which they are concerned.

There was a splendid program of entertainment for the visiting delegates and their wives in the hours not devoted to convention business.

This convention demonstrated conclusively that California still holds a high place in the minds of the American people. Florida may have attracted a good deal of attention recently, but California can match it. For, in spite of the fact that the convention met in Los Angeles only five years ago, this year's meeting drew the second largest attendance of any on record. Over 7000 delegates were registered. This does not approach the mark of 11,500, set by the 1922 convention in New York City, but that is not to be expected, considering how large a proportion of the banks and bankers of the United States are located in New York State.

This is the sixth time the convention has been held on the Pacific Coast. The first time was in 1892, when the convention was held in San Francisco. The 1903 convention was also held in San Francisco. Then, in 1910, the convention went to Los Angeles for the first time. In 1915, it was held in Seattle, Washington; in 1922 in Los Angeles again; and now in 1926 in Los Angeles for the third time.

PRESIDENT'S ADDRESS

President Oscar Wells, in his address before the first general session, told the bankers that the year just past has been a tranquil one for the work of the association. He brought up the question of branch banking in his report of the work of the organization. "The association," he said, "through an act of its 1924 convention went on record without an opposing vote, in favor of the McFadden Bill, including the Hull Amendments, at the same time instructing its officers to aid in securing its passage. That mandate has since been followed with all the diligence and earnestness at the command of those charged with the duty of executing it. No compromise has been made and no authority has been assumed to do otherwise than obey the organic law of this body, as created in its resolution. Because of the partisanship which this measure has engendered among our members it has not been possible to perform this duty without incurring some dissatisfaction from both sides of the controversy. This situation nas its complications. It is not so simple a matter as branch banking or anti-branch banking. There are those opposed to branch banking who do not favor the Hull Amendments. There are officers of national banks both for and against the restrictions placed upon the future rights of national banks in the twenty-six non-branch banking states. Under such circumstances it is not hard to discern the reasons for fault-finding to which the officers of the association have been subjected even though the way has been clearly charted and the course rigidly followed."

Mr. Wells reported that in European affairs "a mixed situation exists. The beneficent infection of rehabilitation, started in a somewhat experimental way in Germany through the operation of the Dawes Plan, has not spread to other nations as had been hoped it might." He discussed the work of the debt funding commission, and the possible necessity for future adjustment of these settlements, concluding that "it is conceivable that impoverishment might easily prove more costly than debt adjustment."

SOUNDS NOTE OF CAUTION

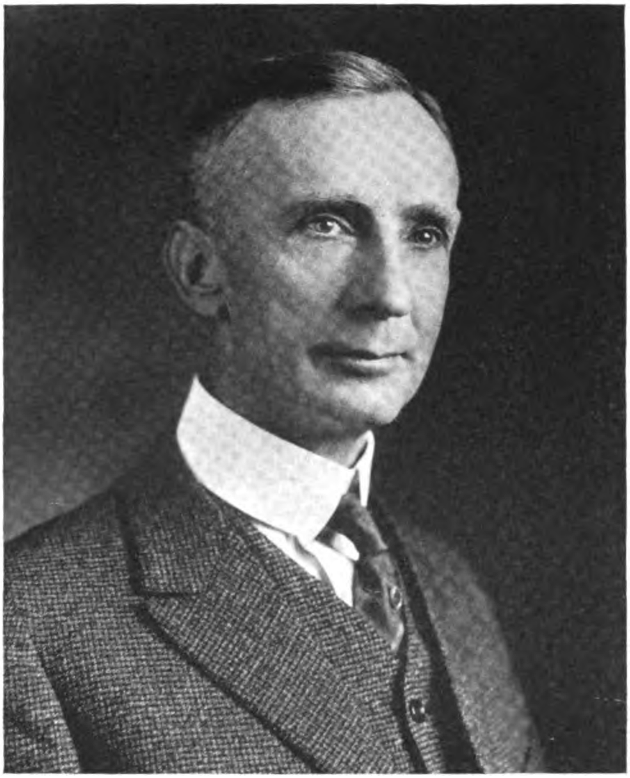
After reviewing the present prosperous condition of domestic business,

MELVIN A. TRAYLOR

New president American Bankers Association; president First Trust and Savings Bank, Chicago.

he sounded a note of caution. "Although fundamental conditions are encouraging and prospects may well be considered fair, bankers know that sooner or later the growth of expansion will receive a halt. It has been so in the past, and often enough to convince one that it will be so again. . . . A decline may be impending even now. If a major activity should get out of balance, the result would be at once transmitted to many lines of operation. We come then to know whether bankers have been wise in the conduct of their portfolios.

"In conclusion let us take a broader view and a somewhat longer look into the future as it relates to the business in which we are engaged. After all, the real issue before the American Bankers Association is the one involving the manner in which it will be able to meet the demands of a rapidly changing development toward which bankers must advance by a marked degree of preparation. . . . We have passed through a remarkable era in the distribution of credit, and yet the opportunities for its employment at home and abroad for the expansion and operation of industry may exceed anything that we have yet seen or imagined. Will we be able to meet the requirements of this new situation? It may mean the creation of more and larger banking units. It would mean supporting and expanding the Federal Reserve System. Have we enough local bankers who are nationally minded, and a sufficient number of metropolitan bankers who can think in international terms, to do this?"



T. R. Preston
First vice-president American Bankers Association; president Hamilton National Bank, Chattanooga, Tenn.

THE GENERAL SESSIONS

Education, the Cultural Effects of Prosperity, and Public Finance Discussed in Thoughtful Addresses

THE general sessions of the convention, which were held in the philharmonic auditorium, were splendidly attended. This is easy to understand, for the featured speakers at these conventions were men who have been notably successful in their chosen fields. Their addresses came from a wealth of experience and careful thought. At the first session of the convention, Dr. Ray Lyman Wilbur, president of Leland Stanford University, spoke on "Knowing How and Why," taking that title, he said, because he wanted to illustrate certain things in education. He called attention to the way knowledge is steadily opening up new sources of energy. The Aztecs or the cliff-dwellers could have used radios," he remarked, "just as we use them, if they had had the training and education and had known the facts. The ether waves were there just the same. The wireless and transmission was there. The only thing that was lacking was the knowledge of man."

"The basis of our advance today," he went on, "is in the experimental method, which found its greatest master, as far as the causes of disease are concerned, in the great Frenchman,

Pasteur. He would not take the opinions of any one, but sought for facts.

"Human kind has been able to take advantage of the experimental method on the one hand, and the accumulated lore gathered by experience on the other, because there is possible in the human race a high degree of training of the young individual. . . . That training has to be based upon a number of different things. Not only must that training be in information so that one may know more, but it has to take the form of discipline so that the individual can control his emotions and his passions and his conduct. It has to be so that that individual can work with others and work as a disciplined unit or his energy might be more destructive than advantageous. . . .

"And in all education and in all training we must not only know how and why, but we must know why things operate the way they do, and why we ought to operate in the way that we should. We can call that latter thing idealism, looking ahead, looking outside of ourselves, and in our country there has been in our educational system a definite ability to bring idealism forward and make it a part of the training of the young. . . .

"Some people have thought of education as so much Greek, Latin, mathematics and chemistry. That is not what we mean by education. Those things may be part of it, but education is the process we put people through to develop a mind that can be used for worthy purposes. That is one of the important things about education and a part of the educational process, part of all the training to get our young people so that not only can they pick up the burden that we put down, but so that we can expect from them that they will know more than we and go forward.

"The effects of education will be a lessened gullibility on the part of people to be swindled by either patent medicines or fake oil stocks, or to be misled by the demagogue into unwise legislation or governmental action."

MR. PUELICHER'S REPORT

It was fitting that at this same session of the convention, John H. Puelicher, president of the Marshall and Ilsley Bank, Milwaukee, Wis., and chairman of the A. B. A. Educational Foundation Trustees, should report on the success of the foundation to date. Over $400,000 of the $500,000 desired for the establishment of the foundation has been pledged, and approximately $300,000 of this has been paid in. There is no question, Mr. Puelicher said, but that the remainder will be available by the date set, January 1, 1927. To correct an error in the minds of some subscribers, Mr. Puelicher stated that none of the scholarships of the foundation are to be awarded to those seeking general knowledge. "They are to be awarded only to those who, having qualified by two or three years' study of banking and practical business economics in a recognized university, are regarded as being fit candidates for the honor of a scholarship or a fellowship from the American Bankers Association and the award must be used only in their further study and investigation of banking and practical business economics."

Speaking on "The United States Public Debt" at the second general session of the convention, Garrard B. Winston, Under-secretary of the Treasury, described the way in which the debt has been cut from $26,500,000,000, in 1919 to about $19,500,000,000 today. About $1,000,000,000 of this represents a reduction in the cash balance of the treasury; a little more than $2,000,000,000 came from the Government surplus of receipts over expenditures in the seven years; and most of the balance came from realization on capital assets bought during the war and later sold.

The future policy of debt payment is not yet definite. "If we retire a debt of $25,000,000,000 uniformly over a

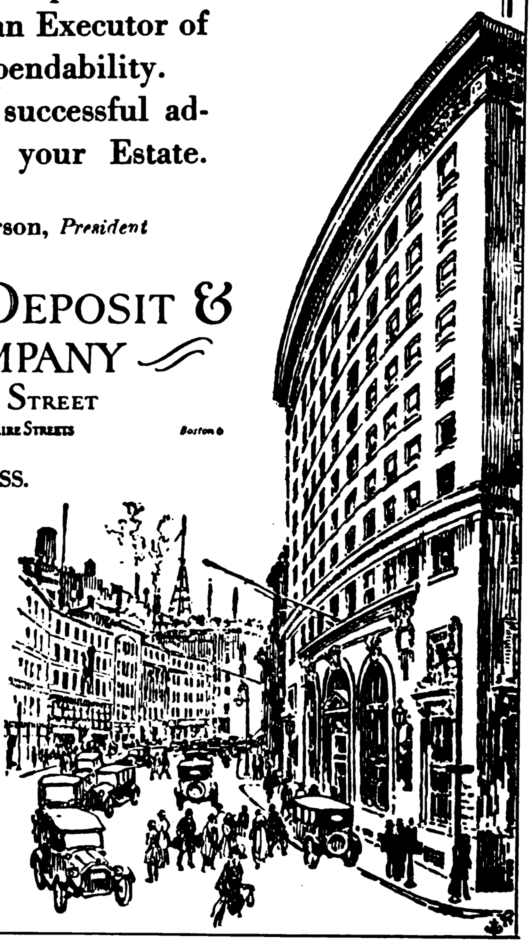
CRAIG B. HAZLEWOOD
Second vice-president American Bankers Association; vice-president Union Trust Company, Chicago.

twenty-five year term and pay an average rate of interest of 4¼ per cent., the total interest cost will be $16,000,000,000. If the term is made thirty years, more than $3,500,000,000 is added to the total interest. If sixty-two years is taken, as some persons have urged, total interest would be $46,272,000,000, or nearly twice the original principal. So a twenty-five year program would cost the American taxpayer a total of $41,000,000,000, and a sixty-two year program would cost $71,000,000,000.

REAL DOLLAR VALUE NOT CONSTANT

"The real value of the dollar does not remain constant. If we take our Civil War experience and use as a base the dollar of 1860, we borrowed a 54 cent dollar and paid in an 85 cent dollar. We repaid $3 for every $2 we borrowed. Referring to our present debt and as a base the dollar of 1913, we borrowed a 51 cent dollar and have paid back to date, on weighted average, a 56 cent dollar. Today the dollar is worth about 66 cents. Paying in the early years of the seven year period instead of waiting until 1926 saved the Treasury $600,000,000. If the appreciation of the dollar continues—and such has been fiscal history after other great wars—then the longer we postpone payment, the more in real value we will have to pay. . . .

"Some nations apparently consider a large debt as a part of the permanent financial structure of the country. During the hundred years from the fall of Napoleon to the opening of the World War, England only reduced its debt from $4,500,000,000 to $3,500,000,000.



During the same period the French debt increased steadily from a nominal figure to $7,000,000,000. With this policy America differs. Congress in 1920, by providing for a sinking fund and for the application of repayments to the retirement of the debt, definitely reaffirmed the historic policy of having no permanent debt."

Mr. Winston said that we cannot rely on the surplus to supply further reductions of the debt, nor can we expect much more from the sale of war assets. There has been one tax reduction. He held that further reduction would have to be met later with higher taxes. He, therefore, came out against further reduction of taxes. "If a full year's trial of the present taxes justifies the belief in a higher surplus than $100,000,000 for several years," he said, "the excess should go to tax reduction, but below that margin, and before we have that assurance, we should not go."

In summary, he quoted the following from Secretary Mellon's statement to the Ways and Means Committee in the last session of Congress:

"This country is today exceedingly prosperous. It can afford to pay off its debts without undue burden upon its taxpayers. Its history has always been prompt extinguishment of its war debts. It is ready for the next emergency when it comes. The time to repair your roof is in good weather, not when it is raining. The time to pay your debts is when you can."

At the last general session of the convention, Wigginton Ellis Creed, president of the Pacific Gas and Electric Company, San Francisco, Calif., spoke on "The Value in American Prosperity." He reviewed first some of the gains in human welfare from the application of science to industry, in making the American stenographer able to enjoy more comforts and better living than fell to the lot of the great Queen Elizabeth. He called attention to the fact that the people not only enjoy more comforts, but that they are coming into actual ownership of the instruments of production, for "the most sensational evidence of the diffusion of wealth is to be found in the shifting of the direct ownership of industry from the few to the many."

PHYSICAL SITUATION MASTERED

"We have done pretty well in becoming masters of the physical situation," he said, "but the fundamental underlying values in prosperity are those values that build a people capable of sustaining prosperity." Greatest among these fundamental underlying values he placed education. "Today we have more students in institutions of higher learning than all the rest of the world."

Next, we have gained leisure, and "men need leisure to reflect upon the thoughts that come from the soul when the senses yield their thrall."

Prosperity has dotted the country with libraries and made us a nation of readers.

Again, there is evidence of a development of taste and discrimination, though that is a very slow growth.

Finally, we have proved by our Government, that liberty and equality can dwell together. "It must move every American to some depths of thinking to know that visitors from other lands come here to seek the causes or our social and economic victories and return home to speak, to be sure, of time saving and trouble saving devices, of high wages and good living, but also to interest their listeners in terms of liberty and equality —to tell of a land where no son of his father need stop where his father stopped."

At the close of the session, the following officers of the association were elected: President, Melvin A. Traylor, president First National Bank and First Trust and Savings Bank, Chicago, Ill.; first vice-president, Thomas R. Preston, president Hamilton National Bank and Hamilton Trust and Savings Bank, Chattanooga, Tenn.; and second vice-president, Craig B. Hazlewood, vice-president Union Trust Company and

chairman of the board Lake Shore Trust and Savings Bank, Chicago, Ill.

MR. TRAYLOR'S CAREER

Mr. Traylor was born in Breeding, Ky., in 1878. He went to Hillsboro, Tex., to work in a grocery store when he was about 20 years of age. While in that job, he studied law at nights, and was admitted to the bar in 1901. He served as city clerk of Hillsboro, and as assistant county attorney of Hill County.

In 1905 he became cashier of the Bank of Malone, Tex., his first job in a bank. In 1907 he was selected for the cashiership of the Citizens National Bank of Ballinger, Tex., and a year later he became its vice-president. When the Citizens National Bank took over the First National Bank in 1909, Mr. Traylor became president of the consolidated bank.

He made an important move in 1911 when he went to St. Louis to become vice-president of the National Stock Yards Bank of East St. Louis. After three years there, he moved again, this time to Chicago, as vice-president of the Live Stock Exchange National Bank and president of the Chicago Cattle Loan Company. In 1916 he was elected president of the Live Stock Exchange National, now the Stock Yards National.

He was elected president of the First Trust and Savings Bank and vice-president of the First National Bank of Chicago in 1918, being made a director of both banks at that time. In January, 1925, he became president of the First National Bank.

Mr. Traylor has long been active in banking organizations, both state and national. He is well known as a speaker on economic and financial subjects, and is regarded as an authority on live stock financing.

Mr. Preston was born in 1869 near Woodbury, Tenn. After being graduated from Woodbury Academy, teaching school and studying law for a few years, he became so firmly convinced that banking was his forte that he worked for a time for the Bank of Woodbury, being paid only in experience. Later he became runner for the Traders National Bank of Tullahoma, working nights in a railroad office to make enough to live on.

When he moved to Chattanooga, his first job was again as runner in the Hamilton Trust and Savings Bank. From that job he worked steadily up through the offices of bookkeeper and cashier to the presidency in 1902. He is also a director of the railroad in whose offices he used to work in the early days.

In 1905 he and his brother and some associates organized the Hamilton National Bank in Chattanooga, and he became president of this bank also.

In addition to being active in work of the national and state bankers associations, he is also interested in politics. He was a delegate-at-large from Tennessee to the democratic national conventions in 1916 and in 1920.

NEW VICE-PRESIDENT WELL KNOWN

Mr. Hazlewood, the new second vice-president, is already fairly familiar to most bankers, due to his active work in the State Bank Division. He was born in 1883 in East Aurora, N. Y., attended Lewis Institute and the University of Chicago, and then started work as a messenger in the Commercial National Bank, Chicago. He has filled a variety of positions in banking work. He was for a time advertising manager of the Union Trust Company of Chicago. Then he was placed in charge of the credit department. Later he organized the new business department. In 1910, he was made an assistant secretary, and later assistant to the president. In 1917 he was promoted to vice-president, and in 1921 was made a director of the bank.

He, too, has long been active in the work of the state and national banking associations. In the A. B. A. he has been most active in the work of the State Bank Division, in pushing the work

of account analysis and the organization of county credit bureaus.

The resolutions adopted at the end of the second general session of the convention included the usual obituary and bread-and-butter resolution to the hosts, and in addition to that, advocacy of help for the farmer, indorsement of the administration's foreign debt funding policy, favoring railroad consolidations, and revision of the tax laws. The resolutions in detail are as follows:

CONVENTION RESOLUTIONS

This country has been enjoying a long period of sustained prosperity for general business. The profits of trade, industry, and transportation for the year 1926 will probably exceed those of any previous year. Wages are high; employment is general; and credit conditions are thoroughly sound. For the first time in the experience of this generation we have had a period of exceptionally active and prosperous business, combined with conditions of cheap and abundant credit, and an almost steadily declining level of general commodity prices.

This falling trend of price levels has not been confined to this country. It is world-wide, and in most other countries it has been under way for a longer period than it has here. Both in this country and abroad this general decline in the price level of commodities has had the unfortunate effect of reducing the incomes of the farmers, and rendering conditions more difficult in the agricultural districts. The reason for this is that when the price levels of wholesale commodities move downward, they always tend to change more rapidly than do wages, so that the incomes of the farmers are reduced promptly, whereas their expenses for hired labor and for taxes which reflect the cost of labor, are reduced much more slowly. Because of the nature of his business, the farmer cannot readjust his methods to meet such a change nearly so rapidly as can the man engaged in trade, or transportation, or industry, and so he suffers more severely in periods of declining prices. It is true that these economic laws reverse their effects and operate to the advantage of the farmer when prices rise, as was demonstrated during the war years, but that phase of the matter does not concern us at this time.

We favor extending to the farmer every assistance that does not run counter to fundamental economic principles. Ample supplies of credit are available to farmers at inexpensive rates. We favor the fostering of properly devised and well conducted plans of co-operative marketing The world-wide decline in the general price levels, to which the difficulties of the farmers are primarily attributable, cannot continue indefinitely, and it is our profound hope that a period of relative price stabilization will soon begin.

FOREIGN LOANS AND DEBTS

During the years that have elapsed since the outbreak of the Great War, American funds have been loaned abroad in large sums, and our foreign loans are still increasing rapidly. Recognizing that this is a logical field for the employment of our surplus funds, we urge upon American bankers and private investors the desirability of utilizing every opportunity to familiarize themselves with conditions in other countries, in order that they may intelligently participate in the purchase of such foreign investment securities as give good evidence of being soundly conceived, and safely secured. We indorse the policy of our national administration in dealing with the foreign governmental debts. We view with satisfaction many signs of economic recovery in Europe, and approve sympathetic and helpful consideration of the problems which the situation there presents.

RAILROADS

Our railroads are now operating with a higher degree of economy and efficiency than they have ever before attained. Our national prosperity is dependent upon them, and it is primarily because the railroads have continuously supplied prompt and efficient transportation of goods that this country has been enabled to enjoy a long period of industrial activity and sustained prosperity without any accumulation of excessive inventories which in former periods of general business activity have resulted in overproduction and in credit stringencies.

We favor the adoption of a policy by our National Administration at Washington, and by the Interstate Commerce Commission, that will be favorable to such railroad consolidations as will conduce to the public welfare.

TAXATION

The ever-growing burden of state and local taxation is becoming a detriment to the development of trade, industry, transportation, and finance in this country. We recommend to all state and local governmental bodies a more thorough and discriminating use of the budgetary control of revenues and expenses. Upon our own membership we urge the need for a more general participation by bankers in the public affairs of their own communities, with special reference to the service they may render in connection with taxation and public expenditures.

Under existing systems the Federal Government, and many of the several states, impose separate, overlapping, and competitive taxes on the inheritance and transfer of estates. These duplicated imposts are productive of much unnecessary delay and litigation, and seriously increase the expenses of administration. We hold that the problems involved are such that they should properly fall within the purview of the states rather than of the Nation, and we recommend the abolition of all Federal inheritance taxes.

Reform is needed also in the taxation of banks themselves. In many states the *ad valorem* taxation of banks has become so great a burden as seriously to impair the ability of these institutions to accumulate adequate surplus for the protection of their depositors. We recommend that the officers of banks study this problem, that they investigate various systems of bank taxation now in effect in different localities, and that they endeavor to ascertain whether or not a more equitable distribution of burdens might not be effected through basing the taxation of banks on their incomes rather than primarily on the value of their property.

CONVENTION SIDELIGHTS

"SEEING Los Angeles" was a popular diversion with many of the delegates. Some visited the Southland for the first time. Others renewed their acquaintanceship. Los Angeles bankers furnished more than 1000 automobiles which were used in meeting the incoming delegates at the trains and in showing them around Los Angeles and vicinity on the Sunday before the convention.

CALIFORNIA bankers expressed considerable gratification over the fact that the American Bankers Association should select Los Angeles as the meeting place for the fifty-second annual national convention so shortly after having been there before.

Group of visiting bankers who were guests at the Thursday morning celebration of the Breakfast Club.

THE BRANCH BANKING DEBATE

Long and Vigorous Session Over Hull Amendments Results in Decisive Vote Against Them

BRANCH banking had no scheduled place in the convention this year. It was felt that to discuss it in California would be a discourtesy to the California bankers. But even before the convention started, it became evident that it would be well nigh impossible to keep it out of the discussions. Realizing the situation, and not wishing to have the debate on this question cut into the prepared program, the convention decided to hold a special session.

Tuesday evening, October 5, therefore, was set aside for the debate. It started at nine o'clock and lasted through a stormy session until one in the morning. In spite of the feeling evident, however, the debate was orderly and, in general, was kept on a high plane. Personalities were indulged in hardly at all. The question was debated on its merits. And, after it had been thoroughly thrashed out, the vote showed that the bankers were opposed to the Hull Amendments almost two to one, the convention thus reversing the stand it had taken in 1924.

Careful preparation was responsible for the orderly conduct of the debate. In the interest of time, harmony and orderly procedure, President Oscar Wells appointed four delegates, two antagonistic to the Hull Amendments, and two friendly to the amendments, to work out a plan of procedure. They agreed on the list of speakers, that the debate should be limited to three hours, and that each side should be allowed an hour and a half to present its side.

The Hull Amendments, briefly stated, would confine home city branch banking by national banks to those states that authorized their state banks to have branches *at the time of the approval of the McFadden Bill, to which the amendments were attached.* The opposition to the Hull Amendments at this convention took the shape of a resolution passed by the National Bank Division, which read as follows:

SUGGESTED RESOLUTION

"RESOLVED, that in view of the existing legislative situation, the National Bank Division of the American Bankers Association in session now at Los Angeles, Calif., recommend to Congress the final enactment of the so-called McFadden National Bank Bill (H. R. 2) including the provision rechartering the Federal Reserve Banks, at the coming session, with the following restrictions upon branch banking:

"First, that no national bank be permitted in any state to establish a branch beyond the corporate limits of the municipality in which the bank is situated; second, that no national bank be permitted to establish a home city branch in any state which does not at the time of such establishment permit the state banks to establish branches; third, that no state bank be permitted to enter or to retain membership in the Federal Reserve System if it has in operation any branch which may have been established after the enactment of H. R. 2 beyond the corporate limits of the municipality in which the bank is situated; fourth, that no branches which may have been established after the enactment of H. R. 2 beyond the corporate limits of the municipality in which the parent bank is situated, be permitted to be retained when the state bank converts into or consolidates with the national bank, or when two or three national banks consolidate."

This resolution plainly is contrary to the Hull Amendments. It was presented to the delegates by H. H McKee, president National Capitol Bank, Washington, D. C., who moved its adoption. The debate followed the the introduction of the resolution. In order to give as clear an idea as possible of the session in the limited space available, the order of the debate has been followed in this report, but the arguments of the speakers are condensed and summarized.

After introducing the resolution, Mr. McKee spoke in support of it. He called attention to the fact that his resolution read "no national bank be permitted to establish a home city branch in any state which does not at the time of such establishment permit the state banks to

R. S. HAWES
Vice-president First National Bank in St. Louis, Mo., and a former president of the American Bankers Association.

establish branches," which is quite different from the provision of the Hull Amendments. The McFadden Bill passed the House of Representatives with the Hull Amendments attached. The banking and currency committee of the Senate, however, was convinced, after holding hearings on the bill, that it was desirable in every respect except the Hull Amendments. It was then taken into the Senate, and three distinct attempts were made to have the Hull Amendments restored to the bill, each of which was defeated, the last one by a vote of sixty to seventeen. The bill was sent back to conference, but the House conferees have stood pat on their insistence upon the amendments, so no progress has been possible.

Mr. McKee thought that the House had taken its stand because the American Bankers Association had indorsed the amendments. The Senate, on the other hand, he said, considered the problem in the light of a national policy, and declined to accept the amendments because "they are discriminatory, and give an advantage to national banks under certain conditions in one location, and refuse to give a similar advantage to other national banks in another location, under the same conditions."

The United States Chamber of Commerce, the National Association of Credit Men, the Secretary of the Treasury, the Federal Reserve Board, and the Comptroller of the Currency have recommended that the McFadden Bill be enacted without the Hull Amendments.

TO PREVENT BRANCH BANKING EXTENSION

The Hull Amendments, it is claimed, will prevent the extension of state-wide branch banking. But if they prevent the passage of the McFadden Bill, nothing will be accomplished toward restricting branch banking. More and more national banks are likely to convert into state banks, and the Federal Reserve System will lose its strength.

It has been claimed that giving national banks a limited branch banking privilege will start state-wide branch banking. This is unlikely, for the proposition in the McFadden bill allows an unlimited number of branches only to banks in cities with a population of over 100,000. There are only twenty-three such cities, so the danger is very small.

Finally, Mr. McKee charged that the Hull Amendments are "simply the effort on the part of a group of state banks in the state of Illinois to use the power of the Federal Government to intervene in a purely local, hypothetical situation that ought to come under the control and is under the control of their state legislature."

E. N. Baty, secretary of the Cook County Bankers Association and of the Committee of One Hundred, replied that the Hull Amendments are not supported by only a few insignificant state banks in Illinois. He showed letters from executives in numerous national banks in many states to prove his statement. He also disputed Mr. McKee's statement that the Senate had definitely shown that it would not accept the Hull Amendments, quoting a statement from Senator Edge to the effect that the passage of the Hull Amendments would be a statement to twenty-six states that they could do as they please; and within three minutes a statement by Senator Glass that the Hull Amendments serve notice that certain states shall never change their banking systems. It was the House of Representatives, Mr. Baty said, which had taken a firm stand to have the McFadden Bill with the Hull Amendments or not at all.

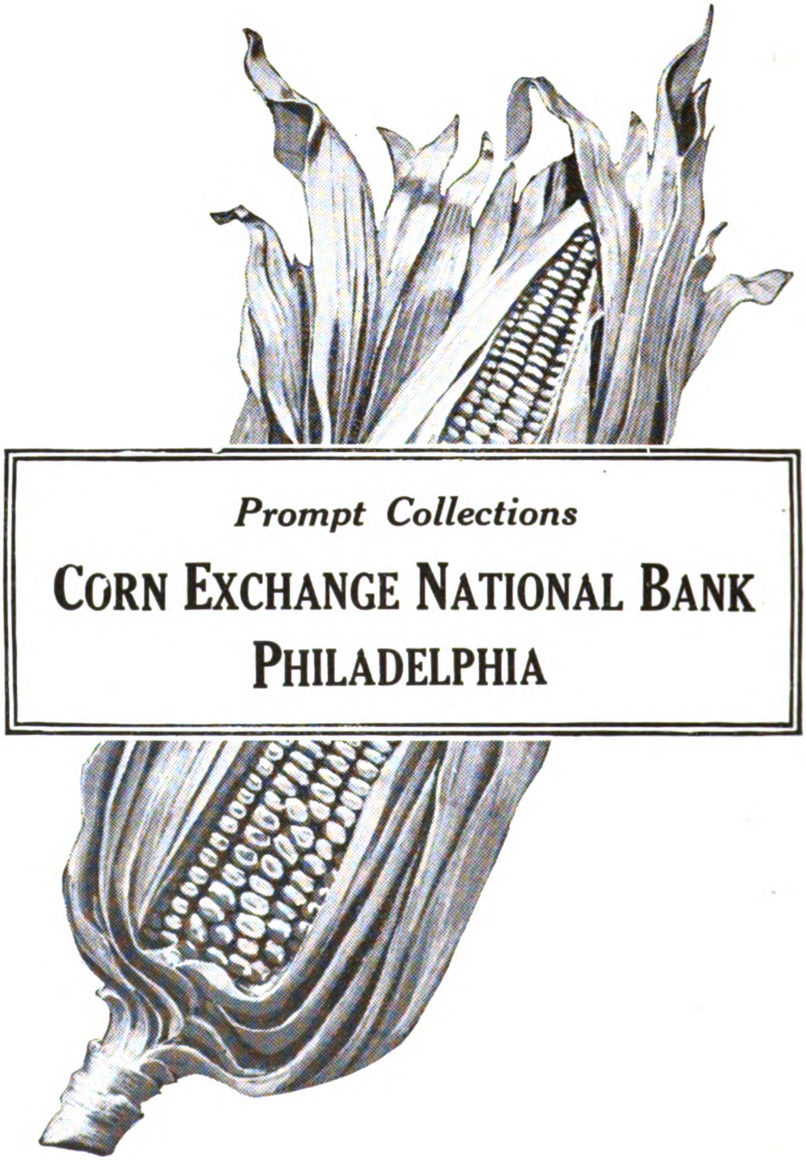
J. S. Macdonnell, president of the First Trust and Savings Bank, Pasadena, Calif., and a member of the California League of Independent Bankers, based his opposition to the Hull Amendments on the fact that they are unfair and illegal. The McFadden Bill, he said, "is a bill to make as nearly equal as possible the chances of doing business under the national banking system with the state systems," which is not true of the amendments.

Otto Reich of the First Trust and Savings Bank, Riverdale, Ill., said that it seemed to him that the issue was between advancing branch banking further, or stopping it where it is. The resolution now before the convention offers greater opportunity for branch banking to get a foothold in those states where it does not have it now than the Hull Amendments. Branch banking is now prohibited in twenty-six states. The bankers favoring branch banking could not, because of public sentiment, present a proposition inviting branch banking in those states. But if branch banking is slowly developed in the big cities, then it will be possible to go to the legislatures and present the arguments for a wider extension of branch banking with greater force. The result would be an oligarchy in banking. "The effort to confine branch banking to present infected territory has been put into definite form in certain proposals of the McFadden Bill, commonly known as the Hull Amendments." They are not destructive in their effect. They represent a practical compromise with an existing situation.

UNIFORMITY NOT REQUIRED

They have been objected to, Mr. Reich said, on the ground that they make for a lack of uniformity in banking practice. But no uniformity is required, so long as banks are competing on even terms with other banks of their own neighborhood, for banking is a local business. Even without the Hull Amendments, there would be lack of uniformity, for national banks in twenty-two states would be permitted to have branches, and in twenty-six states they would not be permitted to have branches. And in the states not permitting branch banking, the national banks would be encouraged to join with the state banks in a campaign for the right of branch banking. The one way in which uniformity is possible is by giving national banks power to have branches no matter what the state law on the subject.

The most plausible argument against the Hull Amendments, however, is that if they were passed, and a state changed its laws to permit branch banking, national banks would be at a disadvantage. To this Mr. Reich replied that human probabilities must be considered, not hypothetical possibilities. With the possibility of profit from the introduction of branch banking absent—as it would be in states not now permitting


Prompt Collections
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PHILADELPHIA

branch banking in case the McFadden Bill with the Hull Amendments were passed—the motive for passing an act permitting branch banking would be gone.

Branch banking is said to be a natural development. But all natural developments are not good, and it is not necessary to encourage it for that reason.

Charles H. Segerstrom, vice-president the First National Bank, Sonora, Calif., and president of the California League of Independent Bankers, who followed Mr. Reich, brought the debate back to the subject of the Hull Amendments, by his statement that the debate was not about branch banking. He said his organization had sent the largest gathering of any state in the Union to Washington, in behalf of the McFadden Bill with the Hull Amendments. It has been found impossible to pass the bill with the amendments, because the American people do not believe that the Hull Amendments are fair. The amendments "seek special privileges in the states which now prohibit branch banking, and they leave the states which are now suffering under branch banking without any legislation at all." The McFadden Bill, even without the amendments, actually limits branch banking to certain defined districts, for the first time, and, therefore, in the opinion of the California independent bankers, should be passed.

POINTS OUT DIFFERENCES

W. H. Doyle, cashier of the State Bank of Plattsville, Wis., pointed out another difference between the McFadden Bill with and without the Hull Amendments, in that, with the amendments, branch banking is limited in those states where it is permitted to cities of 25,000, while, without the amendments, it is limited only to cities of 100,000. He suggested that "the chief concern of the Senate Committee was to take care of the big banks and let the devil take the hindmost in cities of 100,000 and less." Yet the national banks in cities of 100,000 and less constitute the bone and sinew of the national banking and the Federal Reserve System. "The big idea with the proponents of this branch banking bill is to put this measure over at the expense of needed legislation for smaller banks in the national system. . . . The enactment of the Senate bill (without the Hull Amendments) would amount to notice to state legislatures throughout this country to go ahead and grant banking privileges without interruption.". . . That step, he held, would be the entering wedge to an orgy of competitive, unwise and unsound banking.

"Branch banking is now prohibited in twenty-six states. It will be permitted there if the Hull Amendments are enacted. National bankers can prevent it from being extended into the twenty-six states, because they can say, 'Congress refuses the privilege because it is considered unsafe and unsound. It would be unfair to grant your state banks privileges that we cannot enjoy.'" To pass the McFadden Bill without the Hull Amendments would be to remove the props from both the national banking system and the Federal Reserve System.

Charles A. Hinsch, president of the Fifth-Third National Bank, and of the Union Trust Company, both of Cincinnati, Ohio, injected a new thought into the debate when he said that he had argued for the McFadden Bill with the Hull Amendments before the banking and currency committee of the Senate, even though he believed the amendments to be unfair. He had argued for them because he believed that something would be accomplished toward the equalization of the position of national banks with state banks where branch banking is permitted, and "half a loaf is better than none."

The actual fact is, he said, that the national banks must be given some relief, or they will naturally go out of the national banking system and become state banks. To insure the safety and preservation of the Federal Reserve Sys-

tem, national banks should be given the same privileges accorded to state banks in the twenty-two states of the Union.

MR. HAWES' ARGUMENT

Richard S. Hawes, vice-president of the First National Bank in St. Louis, said he was against the Hull Amendments because they shackle national bankers in twenty-six states in America. If the 1700 state bankers in Missouri (from which state Mr. Hawes comes) should decide they wanted branch banking, the 160 national bankers would be placed in a very disadvantageous position, and would have no remedy. "When the national bankers are shackled, the state bankers are free to go after branch banking."

Max B. Nahm, vice-president of the Citizens National Bank and the Bowling Green Trust Company, both of Bowling Green, Ky., reminded the delegates of the importance of the Federal Reserve System. The system can exist only on conscripted capital. It can conscript capital only from national banks. Unless the McFadden Bill is passed, the national banking system is likely to pass away, and with it the Federal Reserve System. And the McFadden Bill cannot be passed with the Hull Amendments. "I happen to be chairman of the federal legislative committee," he said. "This branch bank question has been up for ten years, and for two years we have honestly tried to pass your Hull Amendments. Not a member of this administration has opened his mouth until this time in any other way. We failed! We couldn't do it, and I have had my doubts at times, gentlemen, as to whether you ever wanted either the Hull Amendments or the McFadden Bill to pass.

"But whether or not, I say to you, get out of the way. If you can't shoot, give up the gun and let somebody shoot that can."

Ben Johnson, president of the Commercial National Bank, Shreveport, La., said plainly that he favored branch banking, with some restrictions. But, he said, whatever individual opinions may be on branch banking, an impasse has been reached. The resolution proposed by Mr. McKee curbs branch banking where it is, but strikes out the words "at the time of the passage of this act," which are narrow and do not voice correctly a nation-wide banking policy.

Edward Elliott, vice-president Security Trust and Savings Bank, Los Angeles, Calif., representing a bank already engaged in branch banking, said that he did not care to argue the question of branch banking. He said he was interested in the Federal Reserve System, and the preservation of the Federal Reserve System rests upon the preservation of the national banks.

State banks having branches are quite willing that national banks should be placed in a position of equality, but he remarked that they could hardly be expected to urge anything further. Mr. Elliott remarked that he had spent ten years teaching American political history, and said that his study of political history led him to the conclusion that with the House and Senate deadlocked on a bill, the smaller, more permanent body, which is not subject to such rapid change, is the one which in the long run has its way.

INDEPENDENT UNION SYSTEM

Peter Goebel, president of the Liberty National Bank, Kansas City, Mo., said that he believed in the independent unit system of banking. He had never believed in the Hull Amendments, because they would make for the most rapid spread of branch banking that any measure could possibly do. The question is, he said, shall we have fair legislation. "Shall we have legislation such that if a national bank in New York can have the privilege of establishing branches, and later on, if the State of Missouri passes a branch banking law, that the national banks in Missouri shall be excluded from that privilege and forced out of the system in order to live?"

Points of Interest in New York City

SHERMAN STATUE

This statue of William Tecumseh Sherman, in the Plaza, at the southeast entrance to Central Park, 59th Street and Fifth Avenue, is a stately tribute to the great Civil War general. It was presented to the City by the Chamber of Commerce of New York.

—At the New York End

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Melvin A. Traylor, president of the First National Bank, Chicago, Ill., said that he also was not an advocate of branch banking. He had been against the Hull Amendments from the first, for he considered them unfair both to the state banks and to the national banks. He asked the delegates to indorse the McFadden Bill without the Hull Amendments, not alone because it would give justice and equality to the national banks, but because if it does not pass at this session of Congress it will not get through the Senate again without amendments being tacked on it. Measures like the Strong Bill which would cripple the Federal Reserve System and hamper its freedom of action, might be made part of the bill.

The association was facing, he said, not so much a question of branch banking or anti-branch banking, as a question of a clear declaration ot the old fashioned American principle of equal justice to all and special privileges to none.

Honorable Otis Wingo, vice-president of the Bank of De Queen, De Queen, Ark., and senior member of the banking and currency committee of the House, was the last speaker for the Hull Amendments. He asked the delegates not to reverse the 1924 action of the American Bankers Association because of the way it would confuse the House of Representatives, explaining that the House wanted to please the bankers but could not if the bankers kept changing their position with such frequency. The only issue that divides the convention is branch banking, or anti-branch banking. A few years ago the national bankers started agitation for equal rights with state banks. The McFadden Bill was the result. It proposed "to authorize that which the law did not authorize national banks to do, to engage in branch banking." Furthermore it would encourage the legislatures in the states not having branch banking "to change the law of the state so that they could have branch banking." As it stood, the bill couldn't get reported out of the banking and currency committee of the House.

It was not until the bankers got together in 1924 and worked out a compromise measure, the Hull Amendments, and inserted them in the McFadden Bill, that any progress was made. The compromise satisfied neither side, but both agreed that it was the only possible chance to work out a vexing problem. In return for leaving present branch banks in status quo, enough checks were put on it to keep it where it is.

DIFFICULTIES WITH BILL

Mr. Wingo told of many of the difficulties with the McFadden Bill, how hard it had been to get it considered, and said that he had done his best to have it passed, though he felt he could not vote for it. He blamed the bankers for confusing the issue and making the passage of the bill impossible. He urged them to quit obstructing the passage of the McFadden Bill, and let some limitations be put on branch banking.

The present situation should be maintained. Under it, if a big state banker in a state that does not now permit branch banking wants branch banking, he is prevented by the opposition of national bankers who see that this would give the state banks an unfair advantage But if there were some possibility of the national banks also being allowed to open branches, they, too, would want branch banking, and it would soon spread through the states where it is not now practiced.

He said finally that the pressure brought to bear by the bankers on the House was responsible for the firm stand of the House on the inclusion of the Hull Amendments. If the same pressure is brought to bear upon the Senate, the bill can be passed, with the amendments. If it is not brought to bear, then the American Bankers Association will have double-crossed the House of Representatives; it will have gone back on its own motion and the legislation it indorsed in 1924.

That was the end of the debate. In summing up the arguments offered by the opposing factions, the most noticeable fact is that both sides claimed to be opposed to branch banking. Looked at from one viewpoint, the Hull Amendments restrict branch banking; from another viewpoint, their effect will be to encourage the spread of branch banking. They would certainly stop branch banking by national banks in the states where branch banking is not now permitted. But the opponents argued that the fact that national banks were absolutely prohibited from engaging in branch banking in these twenty-six states would be added inducement for the state banks there to try to have branch banking legalized. It would give them an advantage over national banks.

If the Hull Amendments were not passed, so their opponents argued, both national and state banks would be united in fighting the entry of branch banking into territory where it does not now exist. Neither would be able to gain an advantage from it.

STRONGEST ARGUMENT

Perhaps the strongest argument advanced by the bankers opposed to the Hull Amendments was the contention that unless they are dropped from the McFadden Bill it will be killed, and nothing whatever will be accomplished to restrict the spread of branch banking. This is a matter of opinion, and was flatly contradicted by the other side.

The argument which was given most attention was that the Hull Amendments are unfair and discriminatory. The reply to this was that they are not more discriminatory than the present McFadden Bill, and that they do not discriminate between banks in the same state which compete with each other.

The strongest argument in favor of the Hull Amendments was the contention that unless they are passed, a foothold for branch banking is left open in twenty-six states which up to this time have not permitted it.

Simmering it down, then, the real point of argument was the possible effect of the Hull Amendments. One side argued that they would freeze branch banking where it is now; the other argued that they would make it profitable for the state banks in the states which do not now have branch banking to pass laws making branch banking legal. Conversely, it was argued that the McFadden Bill without the Hull Amendments would effectively prevent the spread of branch banking by uniting state and national banks in opposition to it; the opponents holding that without the Hull Amendments there were twenty-six states left open for the spread of branch banking. In both cases, the reasoning is logical. The only thing left to do was to put it to a vote.

So, after arguing the question over thoroughly until one o'clock in the morning, the vote was taken. Mr. Wells was careful to explain that a vote in favor of Mr. McKee's resolution was a vote against the Hull Amendments; that a vote against Mr. McKee's resolution was a vote in favor of the Hull Amendments. There were 681 votes cast: 413 for the resolution and 268 against the resolution.

The American Bankers Association, therefore, stands committed to the support of the McFadden Bill without the Hull Amendments, a direct face-about from the stand taken at the Chicago convention in 1924. It remains to be seen whether the association can induce the House of Representatives to abandon its insistence on the amendments as a part of the bill.

Conduct of the fifty-second annual A. B. A. Convention was in the hands of the Los Angeles financiers pictured above. Thirteen of the sixteen committee chairmen are shown, left to right, standing: G. G. Greenwood, C. L. Hogan, H. B. Landes, F. C. Mortimer, Ben R. Meyer, C. A. Wise, Leo S. Chandler, W. R. Morehouse; seated: Motley H. Flint, George E. Bowerman, J. H. Ramboz, Henry M. Robinson and J. F. Sartori.

THE PRESIDENT'S ADDRESS

By Oscar Wells

PRECEDENT must be obeyed. In accordance with a custom of long standing, it now becomes my official duty to address you. In doing so I perceive two purposes which may be served. One relates directly to the affairs of our association concerning which I shall make a few observations. The other is to draw your attention to certain contemporary phases of public thought, with the view of stimulating your interest in the conditions under which we live in our common existence as bankers.

My predecessors have sought valiantly to increase your spirit of loyalty in both the accomplishments and aspirations of this organization, and I find myself actuated by the same worthy objective. There is no pride in the one nor hope for the other save through your faith in its undertakings and your confidence in its ability to achieve.

We represent many different energies. I shall not go into the details of all of them, though that might prove to be an interesting recital. For several years the committee reports have been distributed in printed form for your perusal in a more leisurely fashion, and for your convenience that order has been currently maintained. From the printed schedules in your possession it may be learned that the several divisions and sections are holding sessions of their own at fixed hours and places, and these form a part of the convention proceedings. They are open alike to delegates and registered visitors.

It has been very gratifying to the officers that the work of the association has passed through a tranquil year. Its functions have been harmonious and the spirit of co-operation has pervaded all of its forces. As you will agree, this is a highly desirable element and not always found in national organizations of this kind. Under our constitution we are broken up into many parts. We present a classic example of a great need for team work. I am constrained to believe that we have had it this year to a greater extent than ever before. The credit is largely due to the accumulative benefit of having a continuous administration of the affairs of the association at headquarters. There has seemed to exist no need to stray from the beaten paths of endeavor and hence the association has gone along in the even tenor of its way, seeking to improve the quality of its work at every point through the employment of the channels already established and by the agencies created through the conferences of your council members. These have provided adequate opportunity for honest, conscientious and earnest service with a fine zeal for the outcome and no incentive for the spectacular show of display. It has been our belief that you wanted the business of your association handled in the same practical manner and with the same seriousness of purpose as may characterize the transactions completed at your own desks.

OUR PUBLIC INTEREST

No one can contemplate the annals of our past efforts without realizing the vast amount of unselfishness manifested in them. Many of our present undertakings are educational in nature, even those things which have an indirect bearing upon the future welfare of our professional growth. The conception of our educational foundation is fraught with interest in the young men and young women of a succeeding generation but remote from any direct value to our present membership. Our public education commission is spending itself for the lasting benefit of those who may take our places but hardly for those who may share our responsibilities. Our agricultural commission has as its special objective not the bankers but rather those who produce the crops from the soil.

Our trend has been toward these things of indirect value and yet, curiously enough, they have furnished us with the richest sources of inspiration. We are concerned about business methods, sound economics, the ethics of politics and good government, but we are interested as well in education, philanthropy, public health, sanitation, better morals and all the finer graces which constitute a higher plane of citizenship. Our convention programs are replete with topics other than those relating directly to the accustomed transactions of our banking institutions.

Fifty years ago when we wrote our constitution we offered these purposes as our reason for existing: "To promote the general welfare and usefulness of banks and banking institutions and to secure uniformity of action together with the practical benefits to be derived from personal acquaintance and from the discussion of subjects of importance to the banking and commercial interests of the country, and especially in order to secure the proper consideration of questions regarding the financial and commercial usages, customs and laws which affect the banking interests of the entire country and for protection against loss by crime."

We have not stopped there but have added other causes and have sought to justify them. We have had differences of opinion but we have not disagreed upon the fundamental requisites of our traditional needs as an organization of bankers and as a body of American citizens. With this professional background we have to our credit a record of a steady progress toward sounder policies and higher ideals. As with all organized bodies, and for that matter it is true with individuals, as we grow in power and influence our responsibilities increase if retrogression is to be avoided. The habits of the world change as civilization varies. The present generation of bankers has had an unusual experience in keeping pace with both the gross and net operations of their clients. A new alignment of duties has naturally followed the process by which more wealth has found its way into the hands of the bank customer while he simultaneously has grappled with the difficulties of adjusting himself to the demands of a new and higher scale of living.

Conservatism has long been regarded as a fundamental attribute to a successful banking career. Aggressiveness has too often led its followers into the marshy or low lands of profits and even into the mire of failure. But what was conservatism before the war might be called now a stubborn adherence to the ways of a former period and the aggression of that day would compare but slightly, if at all, with the methods of the successful but courageous bank operator of current days. Yea, our national prosperity has grown with rapid strides and with it our responsibilities and our dangers. These are the conditions which we must undertake to meet by the combined strength of our individual and collective efforts. This is not meant to contain any expression of doubt but to emphasize the need of our continued co-operation as an essential to the part we may take in the future development of the nation.

Our responsibilities do not cease, however, by the discharge of our private obligations nor even when we have responded to the claims of a selective group to which we may belong. We must not shirk the burden of aiding in the problems of national scope and particularly those of economic import, in which we have an abundant interest and toward the solution of which our talents may be made to play a part. In connection with these matters to which I allude as having some bearing upon the broader aspect of banking concern, it may be said that I am simply seeking to bring an interpretation of our attitude as practical economists. Of course it cannot be regarded as more than that, for what I shall say may not find an agreement among you and you have the profound right of having opinions contrary to these expressions.

TRANSPORTATION

Transportation is an ally to banking. They are kindred functions in the service of all industry. The future of the development of transportation is somewhat involved by the evolution of the present systems of steam railways and the relation of that process to the supervising elements found among the statutory rights of the Government. We are interested in that future. It is not a monetary interest, though the stockholders are among our depositors and may be among the applicants for our funds as borrowers. It is in the railroad as an asset of the nation that we are most interested. The railroads as a whole have made a splendid record in the last five years. It is conceivable that a vast expansion will be needed in terminal facilities and in double tracking if they are to keep abreast of the industrial development of the future. It is almost inconceivable that this may be done out of surplus earnings plus the further use of credit. Credit is a fine aid to the growth of any industry but it has its limitations unless supported by an adequate expansion of capital. The transportation lines will need the contribution of partnership funds as reflected by the investment of the stockholder. Will that be forthcoming so long as the allurement of a dependable return is absent? The provision for the recovery of earnings now contained in the law may be necessary for the regulation of rates and to give to the Interstate Commerce Commission the needed control over the situation with respect to the distribution of advantages on behalf of shippers, but is there not danger of it becoming a short-sighted policy when viewed in the light of a desirable expansion to avoid a congestion in the future which might prove detrimental to the normal requirements of trade and commerce?

Agriculture is a basic industry. Its problems perplex the economic world. Its present status is one of a recognized maladjustment. It is true that it received a great stimulus by the demands incident to the needs of the World War from which it has not altogether recovered. This may be accomplished through an elapse of time and hastened by the application of the increasing knowledge of scientific methods gained through a better understanding of the courses given by the agricultural colleges, the results of the experiments made and disseminated by the Department of Agriculture of our Government and by the sound theories of the farm organizations, involving the benefits of the intelligent use of the principles of co-operative marketing. It is upon this theory that the agricultural commission of your association has constructed the plan of its work during the last few years. It has concentrated upon an effort to co-ordinate these several elements.

But if the mills of the gods grind slowly, the farmers of the country may not be content to wait for the results of such a solution. In any event, their impatience is being aided and abetted by the considerations of party politics. This is no longer an economic problem alone. It is a political one as well. This may be regarded as unfortunate but it can hardly be avoided. Its solution may be retarded by partisan interference but some legislation to that end seems now well nigh inevitable. The impending signs of battle between the conservative and radical elements in Congress and on the hustings of the election period are unmistakable. The effect may be one of clarification. You and I may hope for a great campaign of education like the one through which the country passed in recent years on the subject of tax reform or similar to the one of a few years ago on banking and currency out of which came the Federal Reserve Act.

TARIFF ATTACKED

There is involved in this struggle the determination to attack the soundness of the existing walls of a protective tariff and restricted immigration. They are alleged to be artificial bars to the rightful share of the producer of agriculture in the prosperity of the nation. We may have a superficial opinion that they do have an influence upon the operation of the law of supply and demand, in which we have always had an unshaken confidence, and yet be unprepared to map out a course of adjustment. We may believe in both as essential to our domestic welfare and yet desire to see the farmer relieved from the dilemma of buying his supplies under the restrictions which they impose upon him while selling his surplus products to the unstimulated markets of the world. We may have the feeling that we are not ready to valorize our crops, as the Brazilian does his coffee, for our association has consistently disapproved of all proposals to have the Government regulate or control the prices of commodities. Our attitude in the past has been that the decline in acreage of lands under cultivation is the only effective remedy for too great a supply of farm products and resultant low prices and that such a decline could be brought about only through the influence of those same low prices. We will be slow to abandon our conviction in the soundness of this theory for it rests upon our faith in the immutability of the law of our fathers, the law of supply and demand. We have witnessed its operation even in agriculture during the last few years with encouraging results.

There is still another element in this situation about which we hear much and will probably hear more. There is crystallizing a sentiment that more credit is needed. That is an old cry. Like Banquo's ghost, it will not down. The bankers have demonstrated a number of times their willingness to provide funds for special administration to meet an emergency in a particular industry or to care for the unusual conditions in a given section. The same thing will be done in this instance if the established channels of credit are believed to be inadequate and the soundness of the plan to dissolve the difficulties of the farmer by the manipulation of his surplus products through the creation of a pool is without question. In this connection it must be remembered that the Federal Land Bank has been brought into existence to absorb properly safeguarded mortgage loans on farm lands, that the Intermediate Credit Bank is designed to meet the needs of those who may want to borrow upon terms beyond the seasonal limitations, and that the local banks fortified by the rediscounting machinery of the Federal Reserve Banks are the logical handlers of all good short time credits, such as those involved in producing and marketing the staple products of the soil. Is it surprising that the banker wonders whether the question is one of more credit and if the solution of the problem can be made lasting or effective by granting credit to those who cannot now borrow from existing agencies engaged in the business of lending? A large part of his life is spent in observing the tragedies which follow the use of too much credit.

FEDERAL RESERVE SYSTEM

The Federal Reserve System is our peculiar responsibility. Our organization spent many years fomenting in divers ways the demand for a reformation of our banking system and for material changes in the issuing function of the Government. It did not create the Federal Reserve Act, but without the part played by the bankers, in which this association took a position of rank, the law would not have been written. The assertion is made in spite of a popular impression that as a class we were opposed to its passage. We care nothing for that controversy. There is no point in being jealous about what we sought to accomplish. The facts are that we were more intimately concerned with the needed remedy. We were the greatest sufferers from the recurring depressions under the old order. With us it was a matter of self-preservation to say nothing of our interest in the disturbance which every panic brought to general business conditions, involving the affairs of the producer, the manufacturer, the merchant, and all others dependent upon them. From our vantage point we saw more clearly the necessity of having an elastic currency and of creating a more dependable source for a supply of credit. We realized, as others may not have done, from our own experience that these might be afforded through the establishment of independent reservoirs into which reserves might be placed and kept. We were willing to furnish both the capital and the volume of business needed to sustain these units, and that they might function toward these desired ends, to forego both profits and volume in our own institutions. Such was the quality of our faith. We know now that the banks, the Government and the country need these twelve regional institutions as continuing elements in their interwoven relationships. We believe that they should be constituted in a more permanent statutory fashion and administered with a minimum interference from both the executive and legislative arms of the Government and by the best talent which may be induced to enter into membership in the supervising and governing body. Our special prayer is that their charters shall be extended for an indeterminate period and our judgment is that their fate should not be obscured by the consideration of any other changes in the law or become uncertain by deferring too long this legislative act upon the part of the Congress of the United States.

FEDERAL LEGISLATION

Now I come to a discussion of branch bank legislation, which means, of course, the McFadden Bill pending before Congress. So much has been said about this measure that I despair of saying anything here with which you are not already familiar. For the same reason it seems almost unnecessary for me to include in the recital the fact that the association, through an act of its 1924 convention, went on record, without an opposing vote, in favor of the proposed law including the Hull Amendments, at the same time instructing its officers to aid in securing its passage with those specific provisions. That mandate has since been followed with all of the diligence and earnestness at the command of those charged with the duty of executing it. No compromise has been made and no authority has been assumed to do otherwise than obey the organic law of this body as created in its resolution. Because of the partisanship which this measure has engendered among our members it has not been possible to perform this duty without incurring some dissatisfaction from both sides of the controversy. Those who have expected much have demanded most, whether protagonists or antagonists, and we have become the victims of their disappointment.

Congress adjourned in July with a deadlock between the House and the Senate on a single point of issue, that being the right of national banks to have city branches in states which may hereafter sanction the practice of branch banking among state-chartered institutions within their own confines. The liberty of state banks to have branches in the Federal Reserve System in the non-branch banking states was likewise involved. The House conferees adhered to our theory of an effective inhibition to the further growth of branch banking while those of the Senate opposed. This is the status of the McFadden Bill at present and when Congress meets again in December the conference will make further attempts to reconcile the respective differences of the two houses on this question.

While there can be no doubt of the fixed attitude of this association with respect to this important legislation, it may as well be admitted that the divergence of views concerning it is not confined to the members of Congress. There are so many cross sections of opinion and such an opportunity for conflicting interests upon any controversial matter of consequence, in the fields of finance, politics and economics, as to make unanimity well nigh impossible. It is quite common for an association such as ours to express the will of a majority assembled in convention as the means of reflecting its judgment and for the purpose of exerting an influence in a given direction, but that is not usually regarded as binding upon the individual member to the extent of keeping him from forming and expressing a contrary conviction. We would not have it otherwise for there is wisdom in the clash of opinion honestly given and intelligently expressed. This situation has its complications. It is not so simple a matter as branch banking or anti-branch banking. There are those opposed to branch banking who do not favor the Hull Amendments. There are officers of national banks both for and against the restrictions placed upon the future rights of national banks in the twenty-six non-branch banking states. Under such circumstances it is not hard to discern the reasons for the fault-finding to which the officers of your association have been subjected even though the way has been clearly charted and the course rigidly followed.

AFFAIRS ABROAD

No analysis of conditions in our own country can fail to take account of those which obtain in other countries, particularly those in Europe. A year ago we had high hopes of a substantial improvement in the economic affairs of all of the nations involved in the prosecution of the World War. There is some question as to whether during that period the advancement in some parts of the affected area has not been offset by the development of further somewhat stringent difficulties in others. A mixed situation exists. The beneficent infection of rehabilitation, started in a somewhat experimental way in Germany through the operation of the Dawes plan, has not spread to other nations as we had hoped it might, even though its functions there continue to afford a satisfactory degree of encouragement. The problem is still one of currency stabilization and balancing of budgets. It requires time and, above all, leadership. Confidence in the

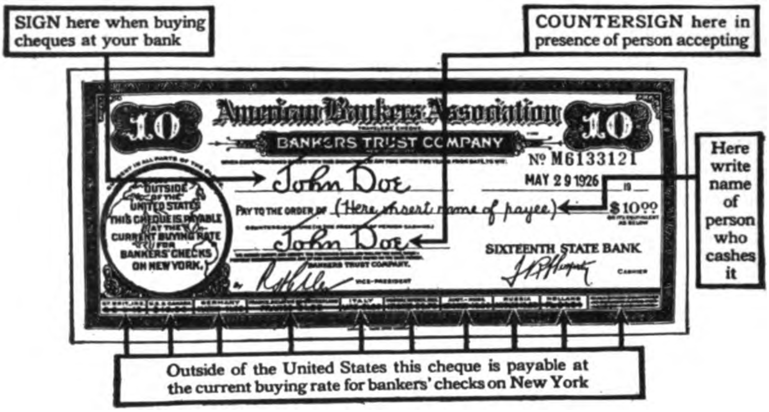
Banquet tendered by the Southern Golfers Association in honor of George Von Elm, amateur golf champion, and attended by a large number of convention delegates.

outcome may be expected to follow the more serious steps now being taken toward the increase of taxes, the reduction of imports and a rigid adherence to the practice of both personal and governmental economies.

The major problem which looms before the nations of the world is that of the war debts. Americans believe in their validity and our Government has moved upon a theory that an agreement should be made in each case as to the amount, terms of payment and a rate of interest. Some progress has been made and all of the great powers have reached the stage of negotiations which include the ratification of treaties except France. In the course of these parleys the theory of an abatement in one form or another has been established. This has given rise to many expressions of opinion on a term which we now know as capacity to pay. Although it is uncertain and somewhat illusory it serves to convey the idea that has doubtless been uppermost in the minds of those who have acted in behalf of our Government including the Executive, members of the Congress and the debt funding commission. Other theories have been advanced and the range has been wide, running from amounts greater than those included in the negotiations up to the entire cancelation. The tendency to revise further seems to be reflected in the continued discussions. Curiously enough, while the conclusions of the varied groups of debt advocates are different, their supporting arguments are much alike. Nearly all of them include a mixture of consideration for the debtor, the possible danger of a reflected damage to our position in the matter of comity among nations, and the probability of a lesser sum turning out to be a good investment. There is a strong flavor for doing the thing which will meet the standards of economic soundness in all of these tentative plans. In any event the objective sought recognizes the necessity of preserving the future economic healthfulness of the debtor nations.

Bankers, above all others, have learned the value of appraising the liquidating power of those who may be in default or who may be suffering from debt oppression. The principle here is much the same, and, if I may take the liberty of interpreting the attitude of this group, I would say that though we feel that our Government has been practical, broad-gauged and liberal in dealing with our debtors in the matter of these debt settlements, our influence will be exerted in favor of a policy of making such terms as may be necessary in order that the sums to be collected may not be burdensome beyond the ability of the debtor countries to bear. We would rather err on the side of moral fairness and economic reasonableness. One would need the vision of a prophet to undertake at this time a forecast of the outcome of this perplexing situation. It is not strange that the issues involved in it continue to afford opportunities for public opinion to occupy itself.

There is yet the troublesome element of assessing the reparations and fixing the extent of their influence upon the various inter-government claims and obligations. Among the considerations to be given to the final understandings, upon which a settlement must rest, are those involved in tolerance, sympathy, a mutual faith and confidence in the purposes of both of the contracting parties. Unless the populations of the various countries are actuated by such principles of mutual regard for the viewpoints of those with whom they differ, the settlements will not be made on the right basis. It is to be deplored that some symptoms have already presented themselves as reflecting a spirit of critical suspicion concerning the righteousness of our position. Even so when difficult problems need solving we should abstain from developing the habit of finding fault. No enduring agreements can be made through acrimonious debate, and being the creditor nation we dare not ignore the greater responsibility for making a program which will include no



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more than is practically obtainable and at the same time is compatible with an early return of normal economic relationships. This would be in keeping with the circumstances under which America entered the war. Nearly one-half of all of our exports are sold in Europe, which accounts for our interest in the restoration of the purchasing power of the European countries and the maintenance of accustomed trade relations. It is conceivable that impoverishment might easily prove to be more costly than debt adjustment.

DOMESTIC AFFAIRS

We are in a state of great prosperity. As a result we are the cynosure of the eyes of the world. Our industrial output is exceeding the estimates of the trade enthusiast and our record for efficiency is beyond the dreams of the expert. Notwithstanding the continuity of the high wage level, the demand for labor increases. It must be understood, of course, that while the general run of industry is prosperous, the conditions are not uniform in all lines. Some are yet suffering from the reaction of the abnormal stimulation of the war period while others are reaping the profits of a resumed activity and all are under the influence of the needs of their respective localities.

These general conditions prevail in spite of the fact that they are not sustained by the calamities of other nations. We have not been aided by the unemployment of Europe though we have withstood the handicaps of her deranged purchasing power and the confusion resulting from her delayed adjustment in exchange and currency values. We are competing with the rehabilitated foreign industries operating under the advantages of a depreciated exchange, as reflected in the cost of labor, and impelled by every natural incentive for seeking an increased volume of business.

As a group we are concerned about the future. We rarely enter the field of prediction but we are strong for making deductions by analysis. The continuation of good times will depend on many things but on none more surely than the character of management which may be given to the affairs of business. Prosperity is the result of a steady production in all lines, affected but slightly by speculative motives, responsive to genuine consumption demands and without undue stimulus by credit. Just here enters the responsibility of the banker. So long as our industries expand normally, in response to the growth of population, or the changes which come legitimately with invention, or by virtue of popular taste and the increase in purchasing power, undisturbed by price or credit inflation, prosperity will be maintained. World prosperity will help us, for a prosperous world cannot supply many of its wants without turning to the markets of the United States. We have had, however, the experience of adjusting our affairs to the conditions of an unprosperous world, which we may continue to do with a fair degree of success if we will but maintain a regular distribution of goods among ourselves. If we waste our capital, if we make a lot of unproductive investments on which there will be no returns for a long time; if in the hope of quick profits it becomes common policy to use an undue amount of credit in proportion to capital, our prosperity wagon will inevitably bring up in the ditch, as has often been the case in the past.

CONDITIONS ENCOURAGING

Although fundamental conditions are encouraging and prospects may well be considered fair, bankers know that sooner or later the growth of our expansion will receive a halt. It has been so in the past and often enough to convince us that it will be so again. When the test comes much will depend upon the soundness of the credit structure. Bank credit has been abundant for a long period. In the nature of things it cannot

healthfully continue to expand as it has in the last two years. Prudent financiers are convinced that our country would do well to avoid the absorption of additional amounts of gold during the next several years. To this end it would be to our advantage, as well as to the advantage of the world, if more of the countries of Europe found a way to carry out their desires of re-establishing the gold standard. As the chief creditor nation we are interested in the spread of financial stability among other nations. Then, too, an inflation of credit here with a consequent rise in prices would have an unfavorable influence upon our competitive trade position.

In discussing the growth of industry there may be included the fact that there is now a better diffusion of well-being among the people and on a higher level than ever before here or elsewhere. We like to think that a part of this is due to the adequacy of our great banking system. We are willing to believe that some of the credit belongs to our members for the skilful manner in which the credit situation has been handled durng the last several years under new and somewhat unusual conditions. We have been prudent in the granting of credit though the country has been prosperous and expansion has been the established order. Men in business have not usually been timid in good times. What of the future? We may have reached the crest of the wave. A decline may be impending even now. Economic prosperity consists of many interwoven and interdependent elements. If a major activity should get out of balance the result would be at once transmitted to many lines of operation. The real test of the sufficiency of a banking system and of the soundness of credit conditions comes when business grows slack rather than when it is expanding. We come then to know whether bankers have been wise in the conduct of their portfolios.

In conclusion let us take a broader view and a somewhat longer look into the future as it relates to this business in which we are engaged. After all, the real issue before the American Bankers Association is the one involving the manner in which it will be able to meet the demands of a rapidly changing development toward which bankers must advance by a marked degree of preparation. In order to prepare, one must have vision. We are told that a new industrial revolution is under way in the world. Modern machinery and new sources of power are taking the place of human labor. Increased outputs are the results of better management and mass production. A greater share is available for the individual worker. The process is in operation here and in Germany and Italy. In time it may find its way into England and France, though probably not in the immediate future and not until labor and industrial conditions change. We have passed through a remarkable era in the distribution of credit, and yet the opportunities for its employment at home and abroad for the expansion and operation of industry may exceed anything that we have yet seen or imagined. Will we be able to meet the requirements of this new situation? It may mean the creation of more and larger banking units. It would mean supporting and expanding the Federal Reserve System. Have we enough local bankers who are nationally minded and a sufficient number of metropolitan bankers who can think in international terms?

The Central Mercantile Bank of New York

ANNOUNCES—The merger of its business with that of the AMERICAN BANK OF NEW YORK (formerly National American Bank of New York) at 8 West 40th Street, and Seventy-second Street at First Avenue, effective at the close of business October 13, 1926, and that hereafter the business of the two banks will be conducted under the name of THE CENTRAL MERCANTILE BANK OF NEW YORK.

Statement at the Close of Business October 13, 1926

RESOURCES

Cash and Due from Banks	$15,125,317.69
United States, New York State and Other Bonds and Federal Reserve Bank Stock	4,969,263.14
Loans and Discounts	25,683,944.56
Customers Liability a/c Acceptances	681,180.07
Loans for a/c Customers	325,000.00
Bank Building and Safe Deposit Vaults	502,158.22
Bonds sold under Repurchase Agreement	1,000,000.00
Other Assets	329,453.71
Total Resources	$48,616,317.39

LIABILITIES

Capital	$ 2,500,000.00
Surplus and Undivided Profits	1,956,307.55
Reserve for Taxes, Interest, etc.	155,127.42
Acceptances Executed	708,082.09
Loans for a/c Customers	325,000.00
Bills Payable	None
Bonds sold under Repurchase Agreement	1,000,000.00
Deposits	**41,971,800.33**
Total Liabilities	$48,616,317.39

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CLEARING HOUSE SECTION MEETING

High Interest on Deposits and High Operating Expenses Cutting into Bank Profits; Some Remedies; Duties of Bank Auditors Explained.

PRACTICALLY the whole session of the Clearing House Section on October 6 was devoted to consideration of how to stop the decline in bank profits which has resulted from increasing expenses of banks and the high interest paid on deposits. The problem was discussed in its entirety by J. Dabney Day, president of the Citizens National Bank, Los Angeles, Calif., in one of the featured addresses, and later various aspects of it were gone over in detail in ten minute speeches by other members.

President Alex Dunbar, in his address, took occasion to warn the bankers against the over use of instalment credit. He said he could see "only trouble ahead if the increasing tide of credit extension is not definitely checked against the purchase of luxuries, which not only discounts earning capacity for long periods in advance, but imperils the moral fabric of the nation by pandering to unjustified appetites and standards on a false basis."

During the year, he reported, the Clearing House Section has been building up a speakers' list in each section of the country, to supply the demand for speakers on banking problems.

The section has published a number of pamphlets and surveys dealing with banking problems, and during the year distributed more than 95,000 copies.

Twenty-two new clearing house associations were organized during the year, making the total number 389. Thirty-one cities and groups of cities now enjoy the protection afforded by the clearing house examiner system.

At the request of the section, a general national conference on check standardization was held in Washington. A unanimous report was agreed upon, recommending simplified standardized checks, vouchers, etc., the universal adoption of which will mean the saving of millions of dollars annually in the manufacture of checks and will greatly expedite the work of transit departments.

ALEXANDER DUNBAR
Retiring president Clearing House Section and vice-president Bank of Pittsburgh, N. A., Pittsburgh, Pa.

MR. DAY'S ADDRESS

Speaking on "Some Problems of Banking Today," Mr. Day named three major problems. "One of these is the cost of doing business. . . . The second is of equal importance and concerns the spread of instalment buying; while the third is the preservation of the Federal Reserve System." He summed up the reasons for the decreasing ratio of bank earnings as follows:

1. The immense sums of money that

have been seeking profitable investment since the war. This excess of loanable funds has had the effect of depressing interest rates.

2. Notwithstanding the lower rates of interest obtainable on loans and investments, there has not been a corresponding downward revision of the rates of interest paid upon term and savings deposits, while on the other hand there has been a tendency to yield to the pressure brought to bear to increase the number of commercial accounts bearing interest.

3. The increased cost of doing business.

4. Competition is another factor which has added to bank expenses, for in self defense many banks find it necessary to engage in costly efforts to retain their business.

5. Unprofitable business adds to bank costs.

"Our salvation," he said, "lies in sincere co-operation, each group facing its own particular problems, and loyally supporting co-operative endeavor for the best interest of all." He illustrated this by telling how the Los Angeles banks employed a professional investigator to advise them on proposals for advertising in programs and novelties, and requests for charities, saving, it is estimated, more than $750,000 in the last few years. Other drains upon profits could be checked, he said, by co-operative action in a similar manner.

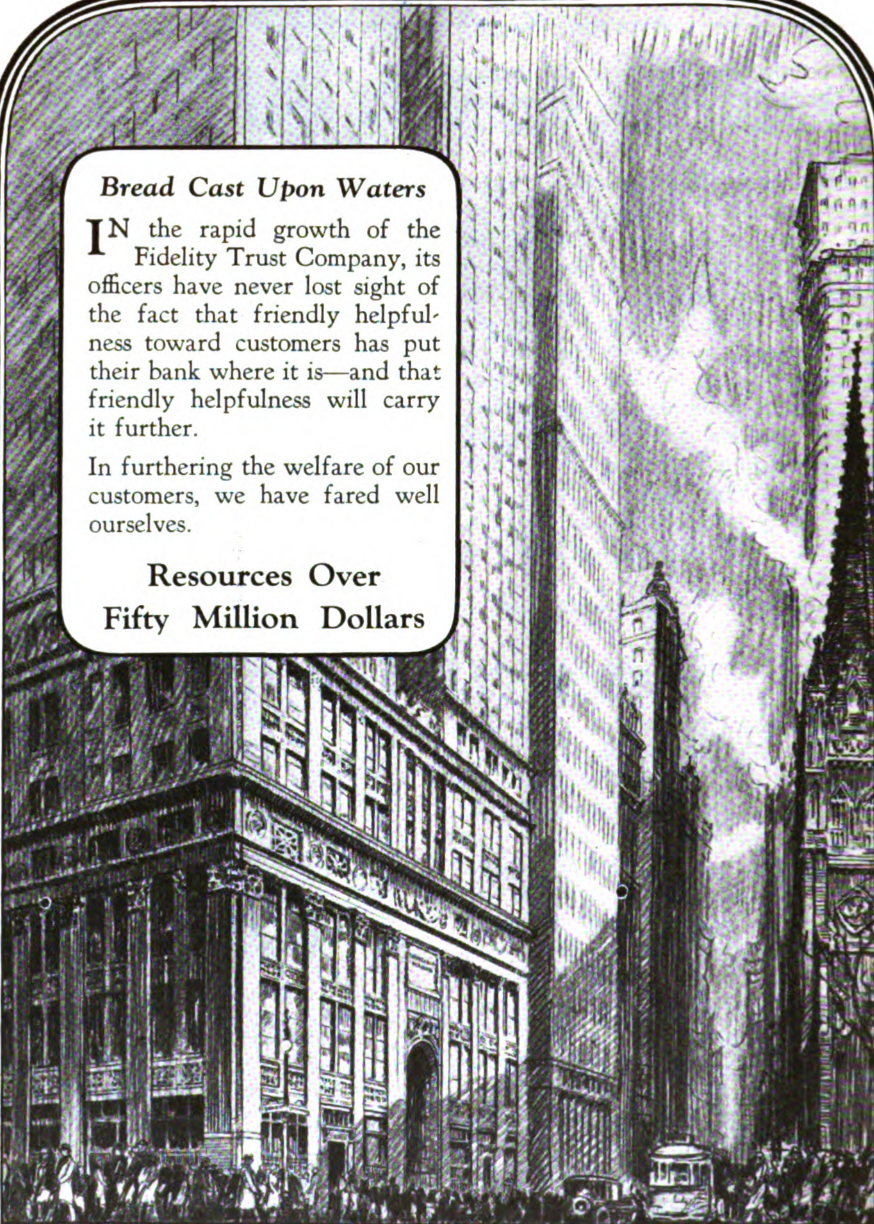
"Instalment sales have been increasing so fast that we may well ask ourselves whether or not the limits of safety have been exceeded. . . . It would be a disaster to this nation if the ease of contracting debts should undermine the old attributes of thrift and industry which have been such a bulwark of strength and safety to our forbears."

Mr. Day spoke briefly of the services of the Federal Reserve System during and since the war, and concluded that "it is in the interest of all our people that prompt and farseeing action should be taken in the renewal of the charters of the Federal Reserve Banks at the earliest possible date."

THE USEFUL DOLLAR

"The Useful Dollar," which Paul Shoup, executive vice-president of the Southern Pacific Company, San Francisco, Calif., referred to, is the dollar which is invested in industry and aids in creation. As opposed to it, there is the dollar which goes to and through the public treasury by taxation. "This diversion is most destructive of all to initiative. . . . The welfare of the world depends upon constructive thought originating in the individual mind, and the dollar is its messenger to a creative end; its separation—what it represents—from the individual to the mass through taxation, depriving this dollar of the support of this constructive individual thought seeking achievement or reward or both is destructive to the welfare of the world—destructive to that action 'which would make two ears of corn or two blades of grass to grow upon a spot of ground where only one grew before.' "

JOHN R. DOWNING
New president Clearing House Section vice-president Citizens Union National Bank, Louisville, Ky.



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In the Center of Things Financial

From the standpoint of practical value, the ten minute addresses before the session were the most valuable part of it. "Interest on Deposits" by R. S. Hawes, vice-president of the First National Bank in St. Louis, Mo., was particularly meaty. The problem had already been stated by Mr. Day. Mr. Hawes divided it into three phases: First, a careful analysis of the facts as to the established policy of paying interest; second, the effects of the existing situation; and third, the means for the solution of the problem.

The facts available are at present very limited. "It is something of an anomaly that the bankers, who are constantly calling upon their customers to make careful analyses of their operating costs so as to eliminate inefficient and unsound methods, should be among the last important group to apply the same principles to their own line of business." Some facts are available. Between 1921 and 1925 interest paid on deposits rose from 25.8 per cent. to 33.5 per cent. of the gross income of all banks which are members of the Federal Reserve System. Interest on deposits has increased 65.2 per cent. since 1919; gross deposits have increased 40.5 per cent.; total resources have increased 41.3 per cent.; and all expenses except interest on deposits have increased 48.5 per cent. in the same period. Earnings, on the other hand dropped from 10.6 per cent. on capital and surplus in 1919 to 8.92 per cent. in 1925.

The facts speak for themselves as to the effects of this situation. The banker cannot continually increase the amount he pays for raw materials and sell the finished product at a lower price. "The existence of such circumstances obviously produces an unwholesome situation."

MR. HAWES' SOLUTION

As a means of solution Mr. Hawes said that "it would appear that a logical step for bankers to take would be to apply the same rule to the demand deposits of their customers that the banking laws of the country require of them—namely, to deduct from the deposits before interest is paid, the reserve balance that they must carry with the Federal Reserve Bank." This is more logical than attempting to scale down the interest rate paid deposits, and is likely to encounter less resistance from the public, for it is more easily understood. Again, competition between banks makes a scaling of the interest rate difficult.

Hal Y. Lemon, vice-president Commerce Trust Company, Kansas City, Mo., said that the underlying principle of "Some Bank Economies" on which he spoke is:

"What do you get for the money you spend?" and, "After you have it, is it worth what you paid for it?"

These questions can be answered by dividing and subdividing the operations of the bank and analyzing them. For example:

1. Does the clearing house man know how many items he handles and at what cost?
2. Does the cost remain constant, or does it fluctuate?
3. Is manual labor being used when machines are more economical, or are more machines being used than the volume requires?
4. How do the clearing house operation costs compare with those of the transit department?
5. How do they compare with the costs in other banks?
6. What tangible results are coming in from the money spent for publicity?

With such an analysis a budget can be made up for the future. These two —the analysis and the budget—are the real sources of bank economies.

One thing is lacking—a yard stick of bank costs. Mr. Lemon suggested as an important job for the Clearing House Section the compiling of such cost data for the guidance of banks all over the country.

R. M. Hudson, chief of the division of simplified practice of the U. S. Department of Commerce, told of how the report on the simplification of check sizes was made up and the economies it would effect. He concluded with the statement that "the first job is to get every member of the association, every member bank, to adopt the standards, and even though some customer comes in who still feels that he ought to have a special size or type or style or color, convince him that he is, to use one expression, throwing a money wrench into the gears when he insists upon having that kind of individual preference. It will help the whole organization if the standard sizes are used."

"Bank Auditors" was the subject of a ten minute talk by R. H. Brunkhorst, auditor Harris Trust and Savings Bank, Chicago. "The bank auditor," he said, "is the direct representative of the board of directors and its committees, is responsible to them, and reports only to them.

"He examines with authority the operations of every department, of every officer and employe, verifies assets in their custody, reporting directly to the board or its committees and receiving in return, their instructions as to procedure. In this manner he exercises control of policy, of systems and methods, guards against a mistaken or unwise policy, against improper functioning of department or individual, controls the safeguarding of assets and accounts, insures the receipt of income and the correctness of disbursements. In other words, he keeps the executive bodies in touch with the details of operation whereby they may intelligently and competently carry out the policies of administration, of organization, of operation, and the delegation of authority.

"It is true that the proper sphere for the controller (or auditor) is the larger bank, yet many of the theories and methods used by him can be applied to any institution regardless of size." The controls furnished by such an officer strengthen the character of employes tempted to steal money, increase fear, and so remove temptation. He asked that the delegates submit their control problems to the Committee on Bank Auditors' Conferences, and asked for their assistance in forming an organization of bank auditors.

The resolutions passed at the end of the meeting generally indorsed the work of the Clearing House Section—the simplification of check sizes, the attempts at bank economies, the extension of bank examination and credit bureaus, the work of protection against bandits, etc.

NEW SECTION OFFICERS

The following officers were elected to serve for the ensuing year: President, John R. Downing, vice-president Citizens Union National Bank, Louisville, Ky.; vice-president, O. Howard Wolfe, cashier Philadelphia-Girard National Bank, Philadelphia, Pa.; members of the executive committee, Hal Y. Lemon, vice-president Commerce Trust Company, Kansas City, Mo., and James R. Leavell, vice-president Continental and Commercial National Bank, Chicago.

Mr. Downing was born in 1874 at Nicholasville, Ky. After attending public school there, and working for a time as a bookkeeper for a banking house there, he took a similar position with the Farmers Bank of Kentucky, Georgetown, Ky. He was advanced to assistant cashier, and cashier. Later he became president of the Georgetown National Bank and vice-president of the Phoenix National Bank and Trust Company, Lexington, Ky. He is now vice-president of the Citizens Union National Bank, Louisville, Ky.

NATIONAL BANK DIVISION MEETING

Long Discussion of Hull Amendments of McFadden Bill Results in Resolution Against Them; Proper Relations with Clients; the Efficient Bond Department

THE meeting of the National Bank Division on the afternoon of October 4 was second only to the State Bank Division (held that morning) in the length of time it lasted. And the cause was the same.

It had not been decided at that time to have a special session of the convention devoted to branch banking and the Hull Amendments, consequently, the men interested in these allied subjects took every opportunity to fight for or against them in the divisional meetings. As in the State Bank Division meeting, the debate was precipitated by a resolution presented to the division at the close of the meeting. The resolution is given in full in the report of the session devoted to the Hull Amendments elsewhere in this issue. Most of the arguments offered are also presented there. At the close of the debate, the vote showed an overwhelming majority in favor of the passage of the McFadden Bill without the Hull Amendments. This action, directly opposing the action of the State Bank Division and coming on the same day, made it practically imperative to have the matter brought before the general convention and there thrashed out, with the result that the convention reversed its 1924 vote and favored the passage of the McFadden Bill without the Hull Amendments.

President Wilkinson's address at the opening of the meeting foretold this debate, for practically all of it was devoted to a recital of how the division had made an honest attempt to have the McFadden Bill passed with the Hull Amendments, and had failed. He argued, therefore, that in order to save the Federal Reserve System, equalize the position of national banks and curb branch banking, the McFadden Bill should be passed without the Hull Amendments.

There were only two other addresses on the program of the divisional meeting. They were "Relations with Clients" by W. W. Woodson, president First National Bank, Waco, Tex.; and "Bond Departments and Investments," by F. D. Houston, president

W. C. WILKINSON
Retiring president National Bank Division and president Merchants and Farmers National Bank, Charlotte, North Carolina.

American National Bank, Nashville, Tenn. The debate over the Hull Amendments took up the rest of the time.

MR. WOODSON'S ADDRESS

The first requisite of relationship with a client, Mr. Woodson said, is that it should be profitable to the bank. He described desirable clients as "those who maintain good balances without interest,

render excellent statements showing proper ratios, make satisfactory earnings, part of which are retained in the business, whose demands on the bank are reasonable and legitimate, who retire loans periodically, and who are regarded as honest and capable."

Unsatisfactory clients, he said, are usually borrowers, rather than depositors. "The most undesirable loans in the United States today are agricultural loans in the nature of crop mortgages. . . . The crop mortgage is no longer adequate or desirable security. . . . No banker should have his money tied up in loans to the extent that a crop failure would cripple the bank. After all, the financing of the tenant farmer is the landlord's obligation and not the banker's. He referred briefly to the present difficulty over the large cotton crop in the South. He said there was quite a demand for legislation to restrict production, but that he believed such restriction could be accomplished without legislation.

Mr. Woodson classed correspondent banks as: good, which are satisfactory clients; bad, which are flirting with the undertaker, and should be let alone; and indifferent, which make poor correspondents, for the management is honest, but not capable.

To keep up satisfactory relations with clients, the credit files of commercial borrowers must be kept up to date, audited statements should be required from constant borrowers, and the changing economic conditions must be studied.

"The relationship with clients that proves the most satisfactory is the one of longest duration. Accounts that have been with the bank for forty or fifty years bear a wonderful testimony of good banking service, and there should be no need for any good client ever to leave his first home. The relationship should grow stronger with the years."

The growth of the bond department idea in banks is the result of the rapid increase in bond buyers, and the change of the methods of marketing securities which resulted from the war. Before that "such banks as had bond departments were the largest banks in the largest cities, and these departments were really little more than service or statistical departments."

C. W. Carey

New president National Bank Division; president First National Bank, Wichita, Kans.

"It is no light matter for the directors of a bank of moderate size to decide whether or not to establish a bond business. . . .. It must be prepared to take large long time commitments, to subscribe and pay for a big block of bonds at any time, and run the risk of not being able to sell all of them, and of having their market value depreciate, and must even agree to the syndicate managers' having the necessary extraordinary powers for the success of new issues and agree on its part to protect the market for sixty or ninety days or even longer with respect to the specific bonds for which it is liable in the syndicate.

MOST IMPORTANT QUESTION

"Therefore the two most important questions about a new bond department are 'who will run it?' and 'how?' . . The most important question is the necessity of obtaining the proper personnel. . . . Owing to the peculiar marketing conditions in the bond business under which a bond department manager must decide in a few minutes and on the strength of a telegram a few hundred words long, as to the merits of a new issue of bonds, and as to whether or not his bank should be let in for a commitment running from $10,000 to $200,000, it can easily be seen that he must have not only the qualifications but also the power to act immediately and that it is useless to organize either his functions or those of his subordinates on any other basis. . . . In general, the affiliated and separately incorporated securities company keeps all the advantages of a simple bond department and has, besides, somewhat greater flexibility and freedom of action."

The next problem is the selection of the bonds, getting a list that is sufficiently diversified to serve both as a liquid reserve for the bank, and as an attractive list for the customers. These need not be entirely short time bonds and notes. Then the bank must try to get on the syndicate list of some of the best houses of issue, and finally bid on industrial and municipal issues in the surrounding territory, in co-operation with other houses.

All possible information must be given to the customers themselves, and the business should be built up slowly through the gradual growth of confidence in the recommendations of the bank.

Among the pitfalls to be avoided are, first, the specializing in any one type of bonds, as the only guaranty of stable business is the ability to sell some classes of bonds at all times; and, second, the selling of bonds to the customer just because they are on the list, disregarding whether they are the kind he ought to have.

Properly managed, such a department will make profits; it will bring in business to other departments of the bank; it will aid in the building up of the habit of thrift; and it will provide "an ever increasing number of valuable leaders in finance and business."

ELECTION OF OFFICERS

At the close of the meeting, the following officers were elected to serve for the ensuing year: President, C. W. Carey, president First National Bank, Wichita, Kans.; vice-president, E. A. Onthank, president Safety Fund National Bank, Fitchburg, Mass.; and members of the executive committee, E. H. Sensenich, president West Coast National Bank, Portland, Ore.; F. B. Washburn, president Mechanics National Bank, Worcester, Mass.; R. F. McNally, vice-president National Bank of Commerce in St. Louis, Mo.; J. W. Barton, vice-president Metropolitan National Bank, Minneapolis, Minn.; and R. E. Harding, vice-president Fort Worth National Bank, Fort Worth, Tex.

Mr. Carey was born in 1867 at Maroa, Ill. In 1878 his parents moved to Wichita, Kans., and it was there he attended high school. His business experience has been varied. In 1884 he began as a bookkeeper in his father's lumber office. Later he went in business for himself, selling building material. In 1891 he changed his business, becoming manager of the Carey Hotel at Wichita. He had a share in organizing the Bank of Commerce in that city in 1896, and became its cashier. He was elected president of the bank in 1908 and, when the bank was merged with the Kansas National Bank as the First National Bank in Wichita, he was made president of the consolidated institution.

TRUST COMPANY DIVISION MEETING

Work of Division for Thirty Years Reviewed; Relation of Trustee to Beneficiary Explained; Methods of Co-operation with Life Insurance Companies Outlined

THE accomplishments of the Trust Company Division, and the relations of trustees with the beneficiaries of trusts and with life insurance companies were the topics considered at the meeting of the Trust Company Division on October 5.

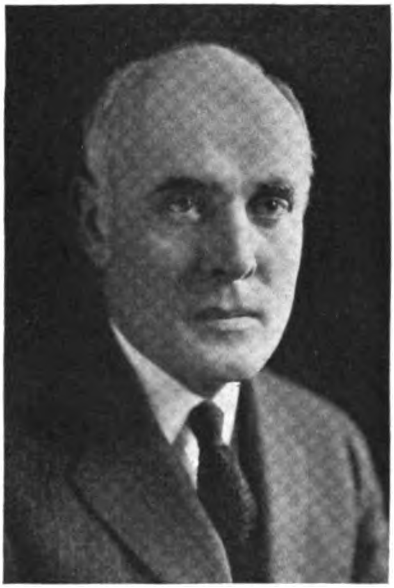
To begin with, President Francis H. Sisson said that the division had grown from an initial membership of seventeen companies in 1896, to a total membership of 3141. During that time the number of trust companies in the United States has increased from 242 to 2701, and their resources have increased from $807,000,000 to $18,000,000,000.

Five years prior to the organization of the division, there were not fifty pages of printed matter on the subject of the corporate fiduciary. Today, thirty years later, it may safely be said that the Trust Company Division has successfully bridged this gap and adequately served as the medium through which the desired benefits have been attained. The annual conventions have been very valuable, the papers presented there covering the entire range of trust activities. In the last six years additional trust conferences, equally valuable, have been held.

The special committee on legislation has been active in advocating the passage of beneficial legislation, and preventing the passage of hostile legislation. Careful attention has been given to the friction which formerly existed between the corporate fiduciary and the legal profession, and has eradicated misunderstandings and lack of proper information existing on both sides.

In recognition of the need to find an outlet for the altruistic impulses influencing many of our citizens during recent years, the community trust has been conceived. Co-operation between life insurance companies and trust companies has been encouraged.

The division has gathered information regarding personnel problems of the trust company, which it expects to publish in a series of articles this year. Various



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FRANCIS H. SISSON

Vice-president Guaranty Trust Co., New York City, retiring head of the Trust Company Division.

researches have been carried on, published in pamphlet form and distributed to a wide circle of readers.

"But," said Mr. Sisson, in conclusion, "it is equally certain that we have only just started on the pathway of progress, and that an ever growing appreciation of both the quality and quantity of service to be rendered by trust companies will lead to their continued growth and

a constant expansion of the business idea they represent."

"THE LAW AND THE TRUSTEE"

William H. Waste, Chief Justice of the Supreme Court of California, San Francisco, Calif., was then introduced and gave a scholarly address on "The Law and the Trustee," in which he presented a brief discussion of the fundamental principles underlying the relation of trustee and cestui que trust.

Judge Waste quoted from Lewin's book on "Trusts and Trustees" in his explanation of how trusts came into the English law. "The adaption of trusts to the English law may be traced to the ingenuity of fraud." Trusts were created to protect the beneficiaries against the frauds to which they were continually subjected. It is therefore natural that the courts should hold that "the fundamental principle of the relation of trustee and cestui que trust is that of confidence." For that reason, the trustee must not, in his administration of the trust, use the property in trust for his own profit, or for any other purpose unconnected with the trust in any manner

Until comparatively recently, trusteeship has been a personal relation. Now it is increasingly under the management of corporations. The only safe course is to follow the same line of procedure as individual trustees have followed, for "just how rapid will be the further development of the trust relation when assumed by corporate trustees will depend upon the fidelity with which the trusts are administered."

Danford M. Baker, vice-president of the Pacific Mutual Life Insurance Company, Los Angeles, Calif., read a paper on "Insurance and Trust Company Co-operation" for George I. Cochran, president of that company, who was unavoidably absent. After reviewing the growth of the country in the last two centuries, and the growth with it of savings and life insurance, he connected them with the statement that "one of the greatest influences during the last few years in the expansion of the volume of bank business is to be found in the growing magnitude of life insurance," citing, in substantiation of that statement, the $3,912,819,857 which goes through the hands of the life insurance companies every year.

Coming to the relation of life insur-

EDWARD J. FOX

New president Trust Company Division; president Easton Trust Company, Easton, Pa.

ance with trust companies, Mr. Baker said:

"There are two aspects to the estate problem: First, the creation of the estate; and second, its administration. Estates may be created in one of two ways; either through savings and investment, or by means of life insurance—which, incidentally, is the product of savings. Estates created in the form of ordinary property are usually best administered for the benefit of the heirs by trust companies. Estates created solely by life insurance may be administered by trust companies or, nominally, by life insurance companies through the instalment method of distributing the benefits. . . .

LIFE INSURANCE TRUSTS

"There are two kinds of life insurance trust, the one known as funded, the other as unfunded.

"The funded trust is one in which the declaration of trust provides for the transfer to the trustee of securities yielding a sufficient income to meet the premiums on the policies of insurance. The policies are assigned to or made payable to the trustee, whose duty it becomes to take care of the payment of premiums and the collection of the policy proceeds upon maturity. By means of such a plan, the estate of the insured may be increased from 100 to 300 per cent.

"Under the unfunded trust plan, the premiums are paid by the insured and no duty devolves upon the trustee until the death of the insured, when such trustee collects the policy proceeds and administers the funds in accordance with the terms of the trust agreement.

"Until recently there was a feeling on the part of practically all insurance and trust companies, and consequently on the part of their representatives, that they were necessarily competitors, but this feeling is rapidly giving place to a conviction that co-operation rather than competition should characterize the relations of the two classes of institutions. . .

"In connection with every estate, there are two things particularly to be guarded against: Protection against speculation and fraudulent promotions; and shrinkage due to debts, costs of administration and taxes. The first of these may be taken care of by the creation of a trust, while the second can best be taken care of through life insurance."

He called attention to the fact that under the present tax laws, under normal circumstances, the shrinkage of an estate increases with the value of the property. Out of 2000 individual estates analyzed, estates valued from $50,000 to $100,000 have a total shrinkage of about 17½ per cent. Estates having a gross value from $100,000 to $500,000 shrink 18 per cent.; while those with a value between $500,000 and $1,000,000 shrink some 20 per cent. Those between $5,000,000 and $10,000,000 shrink almost 24 per cent., and those over $10,000,000 about 29 per cent. Life insurance can be arranged for to meet this shrinkage.

"A thorough financial program for the average individual should embrace savings and life insurance as important elements. Where there is any substantial accumulation of property, the trust enters as the third vital factor. In order to perfect and administer the ideal estate there must be co-operation between the life insurance company, the trust company, and the bank. . . .

"This relationship of life insurance to trusts is real, and co-operation is eminently desirable since we are collectively, as individually, serving the interests of a vast aggregation of people, and thus better contributing to the economic prosperity of the country. Certainly the protection of the home by means of life insurance and through the medium of trusts is the greatest factor contributing to the peace and happiness of the people of our great nation."

ELECTION OF OFFICERS

At the close of the meeting, the following officers were elected to serve for the ensuing year: President, E. J. Fox, president Easton Trust Company, Easton, Pa.; vice-president, Walter S. McLucas, chairman of the board Commerce Trust Company, Kansas City, Mo.; and members of the executive committee, James H. Perkins, president Farmers Loan and Trust Company, New York; J. Sheppard Smith, president Mississippi Valley Trust Company, St Louis, Mo.; W. J. Stevenson, vice-president Minneapolis Trust Co., Minneapolis, Minn.; Gilbert T. Stephenson, vice-president Wachovia Bank and Trust Company, Raleigh, N. C.; and J. Arthur House, president Guardian Trust Company, Cleveland, Ohio.

Mr. Fox was born in Easton, Pa., in 1858. He was educated in Easton High School and Lafayette College, being graduated from the latter in 1878. He then studied law, was admitted to the bar in 1880, and has practiced law from that time to this. When the Easton Trust Company was organized in 1890 he became a director, and was elected president in 1913. He is now both president and trust officer of the institution.

STATE BANK DIVISION MEETING

Sharp Clash over Hull Amendments; Hazlewood Lays Down Rules for Better Banking; Other Speakers Elaborate Them

THE meeting of the State Bank Division on October 4 was the longest and most spirited of any of the divisional meetings. It was held the day before the general sessions began, and before it was known that an extra session of the convention would be held to consider the Hull Amendments to the McFadden Bill. The meeting was proceeding smoothly and according to the program, when President McPherrin interrupted to call for the report of the resolutions committee. This is when the fireworks began.

John H. Puelicher, chairman of the resolutions committee, read the resolution which caused all the trouble. It stated that whereas the division had always been and still was opposed to branch banking, and whereas because of the opposition to the Hull Amendments it seemed impossible to get the McFadden Bill, with its restrictions upon branch banking, passed, therefore, be it resolved that the State Bank Division favors the passage of the McFadden Bill with the Hull Amendments eliminated, and asks the general convention to adopt a similar resolution and send it to both Houses of Congress.

There was a prompt response to this resolution by a veritable cascade of speeches for and against it. No attempt is made to report the argument here, for the speakers were, in most cases, identical with those who spoke at the later general session devoted entirely to this question, which is reported in detail elsewhere in this issue. Practically the same arguments were used. The result, however, was different. After the smoke cleared away, and a vote was taken, Mr. Puelicher's resolution was defeated, thus registering the State Bank Division as still favoring the Hull Amendments. In the later session, the association went on record as favoring the passage of the McFadden Bill without the Hull Amendments.

The regular program of the division included, in addition to the presidential address, featured addresses by Dr. Walter F. Dexter, president Whittier College, Whittier, Calif., on "The Three C's of Success in Business;" and by Craig B. Hazlewood, vice-president Union Trust Company, Chicago, Ill., on "Better Banking." In addition to these addresses, there were four ten minute talks on various phases of better banking, treating them in more detail than was possible in Mr. Hazlewood's address.

PRESIDENT'S ADDRESS

"This year we have been busily engaged," said President Grant McPherrin, in his address, "in encouraging the development of co-operative farm marketing facilities along sound economic lines. We have continued our campaign for the development of a better under-

standing and relationship between state banks and the Federal Reserve System, and are gratified at the strong and growing appreciation of the Federal Reserve System evidenced by our member banks.

"We have actively co-operated with the better business bureaus and other agencies in a nation-wide campaign to educate the general public in the fundamentals of sound investments, and commendable progress has been made.

"We have waged a helpful campaign for the maintenance of complete credit files on unsecured loans of $500 or more in each bank.

"We have earnestly co-operated with the Clearing House Section in bringing about analysis of accounts, the making of proper service charges, standardization of checks, organization of county bankers' associations, and the instalation of credit bureaus to head off duplicate borrowers. . . .

"We are now proud to report a membership of approximately 12,000."

"The good banker," said Dr. Dexter, in his address, "is a man who appreciates the significance of the third letter in the English alphabet, as it introduces the words, capital, capacity, and character. Upon the values assigned to these symbols in human thought depend his usefulness and progress. These are the three 'C's' of success in banking."

However, he defined capital as consisting of mental capital as well as financial resources; capacity as including learning his professional technique (for example learning to say "no" without offense); and character as consisting of good health as well as good intentions, for moods and tempers have a good deal to do with the character of a man. The three "C" idea is not new, but this was a treatment of it from the point of view of a psychologist and educator, and new to bankers.

Craig B. Hazlewood's address, like all well constructed speeches, can be summed up briefly. The need for better banking is evident, he said, in the number of bank failures which we have had in the last seven years. It has been stated that "the cause of bank failures is so nearly 100 per cent. the result of mismanagement that that cause may be considered the whole answer to the matter." Closer supervision by state banking departments and periodical examinations by a clearing house examiner will help a great deal. But the real cure is in the hands of the men who manage banks. For their guidance, he laid down the following rules for better banking.

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GRANT MCPHERRIN
President Central State Bank, Des Moines, Iowa, and retiring president of the State Bank Division.

RULES FOR BETTER BANKING

1. The bank must have and keep capital and surplus adequate to protect the depositors.

2. Not over 50 per cent. of the capital and surplus should be invested in fixed assets.

3. Not too large a percentage of the

deposits should be invested in long time loans.

4. A liquid secondary reserve should be kept.

5. Every unsecured loan for $500 or more must be accompanied by a financial statement.

6. The bank should be managed so that it makes a profit.

7. Unprofitable business should not be accepted because of over-competition.

8. No excess loans should be made to a single borrower or interest.

9. The loans to the officers and directors should be the best in the bank.

10. No capital loans should be made.

This bare outline does not give any idea of how good Mr. Hazlewood's speech was, but it is all that can be included in this report, because of the limitations of space. Suffice it to say that this address was one of the most thorough and practical addresses at the whole convention.

Among the "Agricultural Problems" described by S. J. High, president Peoples Bank and Trust Company, Tupelo, Miss., in his ten minute presentation, the following facts stood out:

The farmer is dependent upon the weather, in large part, for the size of his crop. He cannot control his output as completely and as regularly as the manufacturer.

The one crop system is unsafe, for either a crop failure or an unusually large crop may result in disaster.

But economic laws, mistakes of judgment, and the weather cannot be changed by legislation. Co-operative marketing can help some.

Therefore, the farmer should supplement his main crop by something that will give him a weekly income, such as dairying, poultry, brood sows, a home garden, etc. Doing this, he can produce his crop on his own money and market it co-operatively under able management, without having to mortgage his prospects before he knows how large the crop will be or what the price will be. . . .

Mr. High illustrated with personal experience just how this will work out. He urged the bankers "to get behind some constructive plan of agricultural work. . . . Whatever is done should be done co-operatively. . . . Individual efforts invite jealousy and produce destructive competition. The banks of any section usually represent the business interests of that section and, when they agree, they can put over any sound plan. Take interest in the farmer as well as from him." The cost of banks' co-operatively hiring a dairy expert for this work is about equal to the amount previously spent for calendars.

SERVICE CHARGES DISCUSSED

Dan V. Stephens, president of the Fremont State Bank, Fremont, Neb., told of the work of the Nebraska Bankers Association in imposing "Service Charges." The secretary of that association sent to every member a suggested schedule of fees for such work as acknowledgments, affidavits, bills of sale, mortgages, etc., in order to secure as much uniformity of action as possible.

Then the work of imposing a charge on small accounts was taken up. The Nebraska association is proud of the fact that twenty-four banks in towns where they are the only bank have imposed a charge. It has been contended that the service charge idea will not work in one-bank towns. The necessity for collection of fees for every service is particularly great in the West because of the excess of banks. Where there is a bank for every 2000 people, as in the West, instead of for every 4000 or 5000 people, as in the East, the bank must collect revenue for everything it does.

Mr. Stephens then gave a summary of the effects of a service charge on the business of his own bank since December 1, 1925. The bank is located in a town of about 12,000 population, and has two competing commercial banks. The banks all imposed charges at the

same time, on about twelve different services they render. Between November, 1925, and September, 1926, the total number of checking accounts of the bank dropped from 2589 to 2156. The number of accounts averaging less than $50 also dropped from 1453 to 335. However, the total amount in checking deposits increased from $716,813 to $746,405, and the average balance in accounts less than $50 grew from $15.50 to $37.50. This is a satisfactory result, for the fees collected from January 1, 1926, to September 1, 1926, for various services amounted to nearly enough to pay the annual dividend of the bank.

He said that a comparison of income and expenses of his bank with the figures compiled for all banks and for banks in each Federal Reserve District by the Federal Reserve Board had also been helpful in discovering weak spots and strengthening them.

Discussing "Credit Files for a Country Bank," M. H. Mallott, president of the Citizens Bank, Abilene, Kans., said, "the country banker has reasoned that he is in more personal touch with his customers than the city banker, but is he? My experience leads me to doubt that this is so.

"Three reasons are apparent for the necessity for credit files to help the country banker. In the first place the country bank is a more complex organization than formerly. . . . It is no longer feasible, if at all possible, for the customer to deal always with the same bank officer.

"In the second place, the *bank* of today is a safer unit for the customer to deal with than the *banker* of yesterday. . . . In other words, a written record in the form of credit files assures permanency and continuity of service to the customer.

"In the third place, banking directorates should and are becoming less a group to rubber stamp the loaning officer's operations, and more of an advisory body bearing active and direct responsibility. . . . The credit file is an adjunct to a successful directors' meeting."

However, he was quick to add "no credit file provides a formula to take the place of the banker's judgment." He must decide whether the statement is accurate, and is a true picture of the financial condition of the customer. He must decide from the record whether the business is going forward or backward, and what its condition is with relation to the business cycle. He must decide whether the present condition of the borrower is satisfactory, and must consider whether the money borrowed will be wisely spent.

BANK COMMISSIONER'S PROBLEMS

The "Problems of the Kansas Bank Commissioner," presented by Roy L. Bone, State Bank Commissioner, Topeka, Kans., are two—"too many banks and too few bankers."

"Too many banks is the direct result of the somewhat reckless and indiscriminate granting of charters in years gone by." This is the job of the banking department to remedy, and will gradually be remedied by consolidations and more careful scrutiny of applications for charters in the future.

But the banking department is not altogether responsible for the incompetent banker. That is more a public matter. Mr. Bone asked why a banker should not be required to take some examination to prove his fitness to serve, just as are the lawyer, the physician, the engineer, the architect, the electrician, the plumber, and practically every other worker where the public is concerned. He said he realized that there were many obstacles in the way, but that they might be removed, and no progress would be made unless a start is made, and that he was prepared to recommend such a measure to the legislature in his state.

At the close of the meeting, the following officers were elected to serve for the ensuing year: President, Guy E. Bowerman, president Fremont County Bank, Sugar City, Idaho; vice-president, M. H. Mallott, president Citizens Bank, Abilene, Kans.; and members of the executive committee, M. P. Beebe, president Bank of Ipswich, Ipswich, S. D., and L. A. Andrew, president Citizens Savings Bank, Ottumwa, Iowa.

Mr. Bowerman was born in Coldwater, Mich., in 1866. After high school he worked for some years in a small bank in South Dakota. Since 1899 he has been engaged in organizing banks in Idaho and California and selling them, beginning with the First National Bank, St. Anthony, Idaho.

He has also been active in public service. He has served in the Idaho legislature; as commissioner of finance under the commission form of government in Idaho, which involved reorganization of the state's financial system; and on the staff of Governor Davis.

His interest in the American Bankers Association is evident from the fact that he was once its executive manager. He is also a past president of the Idaho Bankers Association. At the present time he is president of the Fremont County Bank at Sugar City, Idaho, and a stockholder in several other banks.

SAVINGS BANK DIVISION MEETING

Thrift Illustrated in Novel Fashion; B. C. Forbes Describes Savings Banker of the Future; Speaking Contest on "The Value of a Savings Account."

THE Trust Company Division last year hit upon a novel way of illustrating trust service with the playlet "Squaring Promise With Performance." This year, it was the Savings Bank Division which adapted that idea in its meeting on October 6, in "A Thrift Project," presented by the faculty and student body of Thomas A. Edison Junior High School, Los Angeles.

President Thomas F. Wallace also departed from tradition in his address. Instead of reviewing the activities of the division for the year, he spoke on "New Bottles for New Wine," describing first the economic changes which have come about in the progress of the last ten years. These changes furnish the new wine. "The next question naturally is," he continued, "what kind of new 'bottles' should we employ? I can only indicate this in a most general way . . . but first I would suggest a new legislative 'bottle' requiring the physical segregation of savings deposits. Two states, one of which is California, have already such legislation on their statute books, and since its enactment I am told not a dollar of savings deposits has been lost in either of these two states. If such legislation had been in force during the last three years in Minnesota, North Dakota and South Dakota, it is probable that more than $25,000,000 of time deposits would not now be tied up in closed banks in that territory.

"Another 'bottle' that would go far toward holding and increasing the savings deposits of banks is that of adaptability to the needs of customers. We ought to be zealous that absolutely fair methods of computing interest are employed. We ought to see that the hours for banking are reasonably suited to the convenience of our savings depositors and that they can obtain mortgages on their homes from us made on some amortized plan suitable to the needs of the borrowers who are paid salaries or wages on a monthly or bi-monthly basis.

"A third 'bottle' for which there is a constantly increasing demand is a department in our savings banks which is willing and competent to give advice as to sound investments for surplus savings and which might, where the laws permit, even supply such.

"Then there is the 'bottle' of courtesy toward depositors.

"The last 'bottle' which I will mention is one for which in our own country there has fortunately up to date been no urgent need, but the lack of which has caused a terrific blow to be struck at the very foundation of thrift in many of the European countries.

"I refer to the fact that through the inflation of their national currency these countries have practically destroyed a greater portion of the savings of the people. . . . The question whether some sort of a legislative 'bottle' cannot be devised which would prevent such a wholesale loss of what ought to be the most sacred form of property is one that might well challenge the best minds among us. . . .

"The old way, because it is the result of years of experience, should always be the foundation, but progress is only possible by adventuring with the new."

MR. FORBES SPEAKS

B. C. Forbes, editor of *Forbes Magazine* took a somewhat unusual method of telling "How Savings Depositors and Bankers May Prosper." He began:

"A man dreamed a dream. . . . This man dreamed he was a savings bank leader, an outstanding mighty unique leader. He dreamed he was more than a leader, that he was a teacher, an inspirer, a veritable crusader. His gospel was: *Save to Give and Really Live.*"

This is the kind of a bank he built up:

"The dreamer built a new bank that became the city's most popular, best loved institution. . . . It was a many-sided civic center pulsating with life. It contained a hall which could seat hundreds.

"Here were conducted a wide variety of activities. Educational talks and other talks were given. So were the moving picture exhibitions. . . . Amateur theatricals were popular. So were concerts, often aided by the bank's and the depositors' musical society and orchestra. . . .

"Gymnastic exhibitions were a permanent feature. The bank's gymnasium was the pet hobby of its originator and no part of the institution was more alive with the young manhood and womanhood of the city.

"One novelty was the kitchen, where, in conjunction with the public health authorities, cooking was taught, the nature of different foods explained, the value of fruits and vegetables emphasized, simple menus suitable for families of modest means distributed, and so forth."

Here are some of the slogans the bank used to get new business:

Saved money saves worry.

Save then buy, rather than buy then save.

Wise spending provides for saving.

Poverty often is a disgrace.

THOMAS F. WALLACE

Retiring president Savings Bank Division; treasurer Farmers and Mechanics Savings Bank, Minneapolis, Minn.

Debts make us dodgers.

You are done for if you have to be dunned.

If you cannot balance your accounts you lack balance.

An empty head and an empty purse often go together.

Money multiplies your powers.

Saving and success are twins.

"And the man dreamed that when he died there was erected in his memory a monument bearing this inscription: He taught many grateful millions of families to save to give and really live.

"Just then there rang in his ear the cry, 'Wake up.'

"That cry I want to ring in your ears, you savings bank men, 'Wake up.'"

SPEAKERS OF A. I. B. CLUBS

W. R. Morehouse, vice-president of the division, then introduced the four members of public speaking clubs of Los Angeles Chapter of the American Institute of Banking. They were W. Murray Aitken of the First National Bank, Paul B. Kent of the California Bank, H. W. Runkle of the Security Trust and Savings Bank, and Gordon Stephens of the California Bank. All spoke on the same topic, "The Value of a Savings Account." The winner, Mr. Runkle, received a gold watch contributed by J. Dabney Day, president of the Citizens National Bank, Los Angeles. The other three prizes were Sheafers Desk Pen Sets, and were won by Gordon Stephens, Paul Kent, and W. Murray Aitken, ranking in the order named. The winning oration follows:

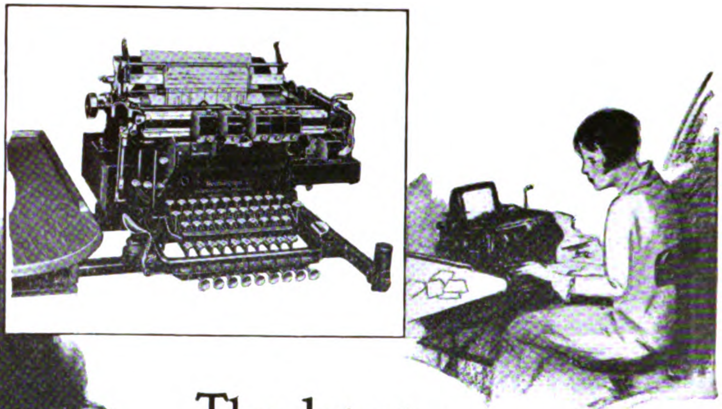
"The theory is frequently advanced that wealth and financial independence are acquired only as a result of striking it rich through some chance investment. I wonder if by careful analysis of the progress of a successful individual, we would not find his success predicated upon hard work and a savings account. Some are inclined to call it luck, but we can only agree if we define luck as that thing which happens when preparation meets opportunity. With many, a savings account, through misapprehension, spells great self denial and great sacrifice. It means robbing life of all of its pleasures and charms, but with others it is just the opposite. They find pleasure in being thrifty, and comfort and a feeling of security in the assurance

W. R. MOREHOUSE

Vice-president Security Trust and Savings Bank, Los Angeles, Calif., and new head of the Savings Bank Division.

that they are fortifying themselves with a reserve against possible adversity and old age. The determination to save is one of the cornerstones in character, which quality is the only foundation for a successful career. Its adaptability to the various requirements of the millions of people and the convenience with which it can be opened and thereafter maintained, make a savings account the most ideal plan of saving in use today.

"The fact that it can be opened as a joint account with the right of survivorship is one of the most important advantages, in that the formality, expense



The latest- most complete- most accurate method of POSTING SAVINGS ACCOUNTS

The Model 23

REMINGTON

Savings Account Posting Machine

furnishes automatic mechanical proof:

1. That the teller has entered all *balances* correctly in the pass books.
2. That all *postings* have been made to the correct accounts.
3. That all *previous balances* have been picked up correctly.
4. That all *withdrawals* have been posted correctly.
5. That all *deposits* have been posted correctly.
6. That no *postings* have been omitted or duplicated.
7. That all *new balances* have been entered correctly.
8. That all *interest* has been credited properly in the pass books.

All these proofs are secured without additional effort or attention on the part of the operator

ALL savings banks and banks everywhere with savings departments will be interested in this new plan for posting savings accounts, for it constitutes the latest word in bookkeeping economy and efficiency—equally applicable to any forms and any system.

Send to us for our new illustrated brochure which shows you how completely the *Remington Savings Account Posting Machine* covers every requirement, how it completes the work in every detail, how it furnishes accuracy checks that are absolute, and how it obtains these results automatically as the entries are made—the machine itself performing every necessary computation.

Savings Account Posting is only one of the many applications of the Remington Bank Bookkeeping Machine. It is equally efficient for general ledger posting, transit letter writing, and a long range of bank accounting uses. And in every case it is incomparable for its time and cost saving service. If it's bank accounting, it can be done best on the Remington.

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Bank Machine Department

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Remington

BANK BOOKKEEPING MACHINES

and delay of probate proceedings are thereby avoided. One feature particularly attractive to us all is that it can be opened with $1, and the balance increased with a few cents or a few dollars. We may not strike it rich overnight with a savings account, but our investment never fluctuates with changing business conditions. It is non-speculative and worth 100 cents on the dollar. The privilege of partial withdrawal, practically on demand, without interrupting the interest on the remainder is a great advantage in favor of a savings accounts. The importance of the account in the eyes of the public is evidenced by the increase in total savings deposits of nearly $9,000,000,000 between 1920 and 1926. The value of a savings account should not be considered from the angle of personal benefit alone, but by the extent to which it benefits the individual and the community at large.

DUTY TO SAVE

"Is it not the duty of every individual to save? A community grows only as its banks grow. It is interesting to note from the program for the conference to be held this month by the National Association of Mutual Savings Banks that the discussion is centered around savings as a basis for world peace.

"The benefits accruing to each of us from the advantage gained by a community having savings accounts predominating in their banks are immeasurable. As a practical illustration of such we have only to estimate the value to Los Angeles of the $810,000 in the school savings deposits, to say nothing of the future benefits to be reaped by us, all from the fact that these children have acquired the habit of thrift early.

"Success in life will be measured not by how much we can get out of it, but by how much we can put into it. Our future success depends upon the fact that our neighbors and our country are prosperous, and I believe the only insurance policy or continued prosperity is the savings account. If the individual will approach the future from that standpoint and realize that every man owes something to the building up of the community that he represents, he cannot but see the wisdom as well as the necessity of maintaining a savings account.

"We are all called upon to measure up to increased obligations, but to do so means we must back ourselves financially.

Reunion luncheon in honor of the present and past presidents of the Savings Bank Division.

AN INVITATION TO JOIN

The American National Red Cross will hold its tenth annual Roll Call from Armistice Day, November 11, to Thanksgiving, November 25, during which all are cordially invited to become members of this great organization. Membership dues paid during that time maintain the work of the Red Cross—local, national and international—throughout the coming year.

Barbecue and entertainment of delegates at the famous Hollywood Bowl, where they were introduced to more than fifty world famous "Movie" stars and entertained with a Tom Mix rodeo.

Winter in the Perpetual Sunshine of North Africa

Terraces and towers, mosques and minarets.... ancient splendors and modern travel luxuries.... only nine days from New York

Are you looking for a place that is smart ... uncrowded ... different ... as well as restful and warm in winter months? It is North Africa ... the meeting place of the cosmopolitan ... just across the Mediterranean from the Riviera. Magic cities are held together by over three thousand miles of macadam highways. Crumbling beauty is beheld from luxurious automobiles ... with specially constructed six-twin wheeled Renault cars for the desert trips. And excellent accommodations are found in the 31 famous Transatlantique hotels.

Fifty-seven day de Luxe itinerary in this tropical playground ... includes the crossing of the Mediterranean, a private automobile and all hotel expenses ... **$1450.** Or a thirteen day trip for **$120.**

The mystery of Morocco ... the vivid color of Algeria ... the ancient beauty of Tunisia ... all lie at the other end of "the longest gangplank in the world." And the whole tour is planned for your comfort and enjoyment ... beginning with the six days of unexcelled service and cuisine on the de Luxe Paris or France, the French Liners that go first to Plymouth, England ... then Havre.

Or perhaps you will sail on a luxurious One-Class Cabin Liner, the De Grasse, Rochambeau, La Savoie or Suffren, that goes direct to Havre, the port of Paris. No transferring to tenders. The gangplank leads to the waiting train. In three hours ... Paris. Overnight ... the Riviera. Just a day across the Mediterranean ... North Africa.

French Line

INFORMATION FROM ANY FRENCH LINE AGENT OR TOURIST OFFICE, OR WRITE DIRECT TO 19 STATE STREET, NEW YORK CITY

We must awake to the realization that thrift and responsibility go hand in hand."

At the close of the meeting, the following resolution was adopted:

"1. We believe that the real estate mortgage, when properly amortized, should constitute a larger proportion of investments of savings deposits.

"2. Where real estate mortgages are made the basis of bond issues, the serial amortization of principal should be promptly liquidated at maturity and canceled of record, in order to maintain and preserve the equity of the bondholder.

"3. To remove the unjust discrimination existing against savings depositors in banks, the same exemption from Federal income tax now enjoyed by stockholders and depositors in building and loan associations, should be granted by Congress to such savings depositors in banks."

NEW OFFICERS CHOSEN

The following officers were elected to serve for the ensuing year: President, W. R. Morehouse, vice-president Security Trust and Savings Bank, Los Angeles, Calif.; vice-president, George L. Woodward, treasurer South Norwalk Savings Bank, Norwalk, Conn.; members of the executive committee, Howard Moran, vice-president American Security and Trust Company, Washington, D. C.; Austin McLanahan, president Savings Bank of Baltimore, Baltimore, Md.; A. C. Robinson, president Peoples Savings and Trust Company, Pittsburgh, Pa.; and R. C. Van Denberg, vice-president Savings Bank of Utica, Utica, N. Y.

Mr. Morehouse was born in 1879, in Falmouth, Mich. He did not immediately enter banking after two years of college, some commercial law, assaying, psychology, etc., but became cashier in a mercantile establishment. When he did enter banking it was as assistant cashier of the German American Savings Bank, Los Angeles, Calif. He advanced through the cashiership of the Guaranty Trust and Savings Bank, Los Angeles, to his present position as vice-president of the Security Trust and Savings Bank of Los Angeles.

Among the varied duties of banking, Mr. Morehouse has found time to write several books, among which are, "Bank Deposit Building," "Bank Letters," "Bank Window Display Advertising," "Bankers' Guide Book," "How to Succeed in the Bank," and "Written Examinations for Bank Employes." Some of these books have been translated into three languages.

STATE SECRETARIES SECTION MEETING

How to Organize a County Credit Bureau; Values of the County Unit Protective Plan; Causes and Remedies for the Rising Cost of Doing Business.

CO-OPERATION was the central theme of the State Secretaries Section Meeting on October 5. It is co-operation that makes county credit bureaus possible and valuable. Co-operation in county unit protective plans reduces bank banditry. And one of the remedies for the rising cost of doing business is in co-operative effort. These aspects of co-operation were featured in the addresses before the section.

President Eugene P. Gum in his address, which was inserted in the proceedings but not delivered (Mr. Gum giving up the time to another speaker) reviewed the prosperous conditions in the United States during the last year, the accomplishments of the section and of the American Bankers Association, concluding that "we have much to be thankful for. . . . We should all be thankful that we live in a nation that could finance the world's war chest without a ripple, that we have nearly half the gold reserve of the world, that Wall Street is the financial center of the world, but while we are thankful, let us remember that true greatness does not consist in the accumulation of wealth or political power, but in the brotherhood of man and the fatherhood of God, in the unselfish exchange of friendships, in our faith in our institutions, the thrift, industry and economy of our people and the close co-operation of all."

How to go about the "Development of County Credit Bureaus" was told in detail by M. A. Graettinger, secretary of the Illinois Bankers Association. These bureaus are as yet largely experimental. The first one was established in Marshal County in 1924, followed in the spring of 1925 by a second in Jasper County, Mo. "In the last year five other counties have organized in Illinois, and a number are just about ready to go."

The past experience has shown that it is absolutely necessary to have a foundation on which to build—some sort of county organization. Without such organized groups it is difficult to put over

HARRY G. SMITH
New president State Secretaries Section; secretary Kentucky Bankers Association, Louisville, Ky.

such a startling new idea as a credit bureau.

Second, it is necessary to simplify the organization of credit bureaus in presentation, to show that they are not costly to inaugurate and maintain.

FIRST STEP IN INSTALATION

The first step in the instalation of a credit bureau is, naturally, the stimulating of favorable sentiment, probably by having the subject presented at a meeting, and, if an agreement is reached, electing a secretary-manager.

The next step is to take an inventory of borrowers in all member banks in the bureau, by having each member bank, on a specified date, file with the secretary-manager the names of the makers of all loans and indorsers on such loans.

The secretary-manager, after collating these, will send to each bank reporting a duplicate borrower information showing at what banks this person is borrowing. Mr. Graettinger suggested that when the banks receive this information, a meeting of the managing officers of all banks having duplicate loans be called to discuss what disposition should be taken of these loans.

Finally, to keep the system up to date, a re-check on borrowers should be made periodically, and when any borrower clears up his line with any bank, this fact should be reported to the secretary-manager.

"The cost of instalation to a county of about fifteen banks for supplies and postage is somewhere around $100; the cost of maintenance, as far as supplies and equipment are concerned, is small and the total cost is entirely dependent upon the remuneration of the management. In most counties the work involved is so slight that a junior officer of one of the banks will take it on for about $500 a year, which cost is distributed in proportion to the loans made by the member banks, and, therefore, forms a small annual charge for this protection. . . . The mere fact that [in Marshall County] over 600 duplications were uncovered on the first report on borrowers should convince bankers of the value of a credit bureau."

Speaking on "The Rising Cost of Doing Business and Its Correction," Peter W. Goebel, president of the Liberty National Bank, Kansas City, Mo., said that the reasons for the increase in the cost of doing business are as follows:

1. The tremendous increase in the number of banks in the United States

from 1900 to 1920, which has resulted in greatly increased competition and the offering of a tremendous amount of free service.

2. Higher wage levels and the necessity of a greater percentage in the number of employes as compared with the increase in deposits.

3. The great increase in time deposits.

4. The much greater cost of building construction and rents.

5. A continually increasing amount of free deposits on which interest is paid.

EUGENE P. GUM

Former head State Secretaries Section· Secretary Oklahoma Bankers Association, Oklahoma City, Okla.

6. Increased taxes and greatly increased fixed charges.

7. Increase of losses.

The corrections for this are analysis of accounts and the elimination of the unprofitable ones, the imposition of a charge for many services that have henceforth been given free, the introduction of labor-saving machinery to conserve on labor costs, the careful scrutiny of advertising expenditures, and the refraining from hazardous loans. These, according to Mr. Goebel, are just enough hints to start an intelligent discussion of the matter. Unfortunately time did not permit such a discussion.

MISS MCDANIEL SPEAKS

Miss Forba McDaniel, secretary of the Indiana Bankers Association, described the details of "The County Unit Protective Plan" as follows:

"A county bankers association is organized, and within it a county protective organization is formed; a reward of $1000 or more is offered for the capture and conviction of bank bandits, dead or alive, and large reward cards are widely distributed throughout the county. Each bank then elects its guards or vigilantes and has them appointed special deputy sheriffs. They are bonded and in many cases each deputy is insured against accident. The deputy sheriffs are furnished rifles, revolvers, shot guns and ammunition at the expense of the county bankers association. An important feature of the plan is the signal system which is worked out with the local telephone company and its operators so that the alarm can be quickly spread to adjoining counties and to state headquarters. Alarm systems are installed in the banks communicating with the business places of their various vigilantes. In fact, every possible detail is worked out for the immediate capture of bandits who attempt a robbery."

Lawn party and tea dance for delegates and

In addition to reducing the number of attacks and monetary losses, the plan stimulates the forming of county bankers associations, brings in a new type of association worker, and gives the state association a fine publicity vehicle.

"The vigilante system," she said, in conclusion, "is not a theory or an experiment—rather it is a practical, workable, effective means of ridding a state of bank bandits and murderers."

This was confirmed by Mr. Baum of the Protective Department of the American Bankers Association, and by other state secretaries.

Mr. Gum then introduced Frank J. Wikoff, of Oklahoma City, Okla., who gave a long and interesting account of his recent trip through Europe, which it is impossible to reproduce adequately in brief summary.

At the close of the session the following officers were elected to serve for the ensuing year: President, Harry G. Smith, of Kentucky; first vice-president, William A. Philpott, Jr., of Texas, second vice-president, Frank Warner, of Iowa; and for the two additional members of the board of control, Eugene P. Gum of Oklahoma, and C. F. Zimmerman of Pennsylvania.

Mr. Smith was born in 1885 in Glasgow, Ky. His career is not marked with the numerous changes which are characteristic of most successful bankers. After

their wives at the **Los Angeles Country Club.**

attending Kentucky Military Institute and the University of Kentucky, he became assistant cashier of the First National Bank in his home town of Glasgow. In due time he was promoted to cashier, and remained in that position until he was elected secretary of the Kentucky Bankers Association in 1919, which position he has held since that time.

CONVENTION OF THE ASSOCIATION OF BANK WOMEN

IT has become the custom of the Association of Bank Women to hold its convention coincident with that of the American Bankers Association. Thus at Los Angeles this year, while the various meetings of the A. B. A. were going on, the women's association held an informal tea, one general session which included three carefully prepared addresses, a luncheon conference on "The Various Means of Making the Women's Department the Source of Contact of all Departments of the Bank," the annual meeting, and the annual dinner.

The program for the general session was well balanced. It included consideration of a social problem (teaching children to save); a legal problem applying particularly to women (the inequality of married women in financial affairs); and a banking problem (that of making safe loans).

"Training our Boys and Girls in Personal Finance," consists, according to Miss Grace Livingston, manager of the school savings department of the Farmers and Mechanics Savings Bank, Minneapolis, Minn., in more than merely persuading the educator to permit the bank to operate school savings. "It means vividly focusing the educators' attention on the importance of this matter, so that they are impelled to work out the technique of financial education; so that they will bring to the subject their best and finest tools and most effective methods."

The development of school saving has been splendid, but too often it has no relation to the children's own spending. "Merely the action of depositing regularly on bank day under the strong stimulus of the public opinion of the school room is but part of the teaching of saving. . . . There must be the habit of really saving from one's own possessions to form a habit that is to function later in life. . . . What we want is that the little kindergarten child shall learn the rudiments of income management."

Then "as part of the financial training of our youth, we want him to know something about money itself. . . ." For "thrift depends upon an understanding of where money comes from, how it is related to labor and intelligent purchasing, and how it can be set to work as a means of promoting industry."

The technique of this training in personal finance, Miss Livingston said, should be worked out by the educators, for "this work of teaching youth is a highly specialized work of its own. . . . But the bankers everywhere should do everything in their power to aid, convince, and enthuse the educator until he shall feel impelled to undertake the task."

WOMEN'S FINANCIAL STATUS

In reply to the question which the subject assigned to her asked, "Do the Present Laws Governing the Status of Woman in the Various States Impede Her in Handling Her Financial Affairs?" Mrs. L. B. Krouth, president of the Sharon State Bank, Sharon, Okla., said emphatically that they do.

"Single women, 'femmes soles,' have the same rights as men in the control and disposition of their property, real and personal, but when women become married, a new legal status arises, and they have entered into a civil contract, a contract which one might call a contract of life and death, because from the minute the marriage ceremony is concluded, their property rights, both real and personal, are more or less affected and their control restricted by the marriage contract, and that restriction continues even after the death of one of the contracting parties. . . .

"While the marriage relation is looked upon as a partnership, in a great majority of the states the services of the wife belong to the husband, and in that respect it is not a partnership between equals. In some states the husband can even claim the earnings of the wife."

Among the states having such unequal laws, Mrs. Krouth named Arkansas, California, Illinois, Indiana, Louisiana, Florida, Idaho, Maryland, New York, and the District of Columbia.

She concluded, "therefore, we must work for uniform and fair laws for the women of America, and we must by our work show the men that we are capable of handling our financial affairs, that we are able to take our places by their sides in business transaction, that we are worthy to be citizens in every way—and we must never give up until we have accomplished the passage of uniform laws for the women of America."

"Loaning the Bank's Money" was described by Mrs. Frank Palmateer, treasurer and director Union Trust Company, Rochester, N. Y.

"As many women as there are in banks," she said, "very few naturally gravitate toward loans as a specialty. The underlying reason is not difficult to figure out. It goes back to the fact that loans and credit and the financing of business are so absolutely foreign to the experience of the average woman. To her a loan means money owed. And to owe money, if not an out and out disgrace, is nevertheless something to get away from as quickly as possible.

"Women know how to save. But they know little of borrowing capital in order to make more money, or of establishing credit with the same end in view, or of aggressively assuming present indebtedness in order to realize future gain. This inexperience follows women right up to the application desk in the bank. They aren't in the running when it comes to shouldering the responsibilities of the commercial end of banking affairs. And what is more, many don't want to be. It should be added, it is not necessary for them to be, when there are so many other things in a bank which women can do to much better advantage.

"Nevertheless loans are a basic factor in banking, and any woman who intends to make this her profession, no matter what position she occupies in her institution, should have a working knowledge of the principles and practice of loaning money."

QUESTIONS ON LOANS

The common sense questions which naturally come up, when an application for a loan is made, she said, are:

Has the bank the money to lend?

How much are the securities offered as collateral worth?

How much of the value of the securities will the bank lend?

Does the bank lend on this type of securities?

Has it the amount requested to lend in this way, or is there some sort of proportion preserved with other kinds of loans?

Should it lend this amount to one customer?

How much interest should it charge?

In answering these questions, she outlined the mental processes of a banker in making a loan.

At the annual meeting of the association, held the day after the general session, reports were made by the regional vice-presidents on a questionnaire which has been circulated during the last year to determine whether the accounts carried by women in banks are business accounts to any extent. The replies were practically unanimous in stating that the most of the women's accounts are personal accounts. The largest per-

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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 Security 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.

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centage of business accounts reported was 25 per cent.

In reply to the question whether woman bank executives deal chiefly with women or with men and women equally, most of the replies were that they deal with men and women in the same proportion. In the larger cities, their clients are mostly women.

The questionnaire also asked the bank women how they attained their positions. The response was again practically unanimous: "through long years of service and unceasing work in the various departments of their institutions."

At the close of the convention, the following officers were elected to serve for the ensuing year: President, Miss Jean Arnot Reid, manager women's department Bankers Trust Company, New York; vice-president, Miss Nina Y. Carter, manager women's department Peoples Trust and Savings Bank, Chicago, Ill.; treasurer, Miss Louella H. Ensworth, manager women's department Northern Trust Company, Chicago, Ill.; recording secretary, Miss Nina M. Bruere, assistant secretary Central Union Trust Company, New York; and corresponding secretary, Mrs. Elizabeth S. Robinson, director personal service department, North River Savings Bank, New York.

SOME CONVENTION SIDELIGHTS

By Our Special Correspondents

LEST we forget to mention how much was spent at the convention, it might be well to give an estimate by W. H. Nobles, vice-president of the First National Bank of St. Augustine, Fla. Including the $50,000 spent by Los Angeles bankers for entertainment, etc., Mr. Nobles places the figure spent on the convention and by those who attended at $2,000,000. Los Angeles didn't do so badly at that on the business end of the convention.

THOMAS F. Wallace, treasurer of the Farmers and Mechanics Bank of Minneapolis, and president of the Savings Bank Division of the national association last year, was one of the early arrivals. His coming was heralded with joy when Mr. Wallace was quoted as saying:

"I have heard so much lately of the charm of the western girl that I wondered if I dared venture here, even in the interests of the association."

ANOTHER early arrival was F. N. Shepherd, who, with Mrs. Shepherd, arrived Thursday before the convention. Mr. Shepherd, who is executive manager of the American Bankers Association, opened official headquarters at the Biltmore, and announced that the fifty-second annual convention was certain to be the best ever.

M. E. HOLDERNESS, vice-president of the First National Bank of St. Louis and chairman of the public relations committee of the national association, became very popular with the newspaper men and publishers when he was quoted as saying:

"There was a time when the banking houses of this country spurned the use of newspaper space, but even the smallest of the country bankers now knows the value of advertising."

Mr. Holderness, who was responsible for the organization of the association's publicity department, was also one of the organizers of the Financial Advertisers' Association of America.

BEAUTY ran rampant on the opening

day of the convention. A style and fashion show was given in the Palm room at the Biltmore.

AN exhaustive amount of bank advertising literature was on display in Room 310 at the Biltmore—headquarters for the Association of Bank Women, who held their fourth annual convention coincident with that of the American Bankers Association.

FREDERICK Colburn, secretary of the California Bankers Association, arranged an exhibit of California products in Rooms 219, 221 and 223.

"UNUSUAL" weather prevailed throughout the most of the convention. At least most of the bankers indicated that it was getting pretty hot at some of the meetings. Florida bankers had very little to say about the delightful California climate.

VISITORS were presented with an eighty-page book containing comparison photographs of Los Angeles. The comparison was between Los Angeles as it was in 1910—when the bankers held their first convention in Los Angeles and as it is today. The Security Trust and Savings Bank of Los Angeles was responsible for this thoughtfulness.

THE Los Angeles Clearing House Association saw to it that a large basket of California fruits was placed in the room of each guest.

A PLOT to take advantage of the convention and pass a number of worthless checks was nipped in the bud by Burn's detectives.

Police say that a man, now under arrest, registered at a downtown hotel and applied at the association headquarters for a delegate's badge, representing himself as an official of a Buffalo bank, and that he succeeded in passing one worthless check and planned to pass a number of others of large denominations.

FOLLOWING a strenuous week of night and day work, Gurden Edwards, director of publicity of the American Bankers Association, himself basked in the limelight of publicity. It took almost a column to tell how Edwards broke into the newspaper game as a hard boiled night police reporter in New York City.

ON the Friday following the closing of the convention, Melvin A. Traylor, newly-elected president of the American Bankers Association; B. C. Forbes, financial writer, and George Von Elm, national amateur golf champion, were guests at a luncheon given by the Junior Chamber of Commerce.

"Money and the Young Business Man," was the subject of Mr. Traylor's talk.

STEPHEN I. Miller, educational director of the American Institute of Banking, spoke to the Advertising Club of Los Angeles during the convention. His subject concerned the need for education in avoiding panics.

SOMEONE suggested during the convention that practically everything in the way of counsel, except advice to the lovelorn, is now given by bankers. This remark was forthcoming after viewing the advertising exhibits of the association of bank women at the Biltmore.

THE convention was marked by the usual "warm" weather which characterizes most conventions, and possibly caused some of the more or less heated arguments on the McFadden Bill and Hull Amendments. However, by the time the delegates were ready for their playtime at Catalina Island where William Wrigley reigns supreme, the weather had arrived at a normal temperature that made playing a pleasure.

THE Los Angeles bankers donated approximately $50,000 to the entertainment of the visiting bankers, which went a long way in providing some of the things for which Los Angeles is noted. On the Sunday preceding the week of the real business sessions of the convention more than 1000 automobiles motored several thousand delegates over part of the 60,000 miles of good state roads. Within a few hours mountains were climbed, the beaches or harbor visited and the rich valleys traversed. One banker from Atlanta stated that the hospitality shown by Angelenos at this convention even exceeded the hospitality of the South, which from his viewpoint was quite a compliment to the sincerity of people who know how to boost.

THE astounding part of the convention from the standpoint of the residents of Southern California was perhaps the admission by most of the delegates that Los Angeles was no longer a boom town. On every hand the financiers found sound development in industry, agriculture, banking, shipping and even in the much talked of "real estate situation," which is today in a very sound condition.

IT was indeed encouraging and interesting to note the attitude of most of the bankers toward the business outlook, to which practically everyone today pays some tribute. Such men as Oscar Wells, M. A. Traylor, T. R. Preston, Francis H. Sisson, Grant McPherrin, M. A. Graettinger, Haynes McFadden, James D. Hope, Henry M. Robinson, F. O. Watts, R. C. Stephenson, Thomas B. McAdams, R. S. Hawes, J. F. Sartori and others all expressed themselves as thoroughly optimistic regarding the future, and all those visiting from other states mildly said that, "the American bankers who attend the Los Angeles convention will see for themselves that California still has communities where the opportunities for settlement and the investment of capital are the most promising in the country." At times one found a tinge of discouragement in their comment on the business outlook, but the Los Angeles newspapers and news bureaus forgot all the pessimistic phase of business, and used the typical optimistic tone.

IN much evidence throughout the entire convention were the wives of bankers. The writer only met one banker who had not brought his wife. Possibly the wives thought their husbands might buy snug little bungalows in Southern California and they had better be along with them to help choose them. Whatever it was that brought wives, they certainly played a big part in the success of the convention. The local bankers' wives arranged many pleasing parties and teas for visiting bankerettes. It is a well-known fact that the wives of the bankers play a big part in the success of their husbands and one banker's wife from Washington, D. C., said that she knew more about the McFadden Bill than her husband, because she had heard it discussed in the Senate and House so much. In fact, she said, she had arrived at a conclusion which her husband promoted at the night session on Tuesday night.

THE outstanding entertainment feature of the convention was an open-air barbecue with a Tom Mix rodeo held in the great mountain auditorium Hollywood Bowl. Here many bankers saw for the first time the real western stuff that made Hollywood famous way back in the early days of the movies.

The grand ball held at the Shrine Auditorium was the crowning social event of the entire convention. Here assembled the largest number of delegates and their wives. The guests also visited the movie studios in Hollywood, saw "shots" being taken, stars in action, and otherwise found out all there was to be learned about how to produce really wonderful pictures of their own. Catalina Island was visited on Friday and ending the grand and glorious week were the Bankers Day football games at the Coliseum, Saturday afternoon. Truly it was a wonderful week, not only for visiting bankers but for the California folk who saw the bankers intensely enjoy their great playground. Louis B. Mayer, president of the Metro-Goldwyn-Mayer studios, addressed the bankers at Hollywood Bowl and told them all about the motion picture industry from a financial standpoint. Now the bankers are all going back to their home towns to start their own studios. The breakfast club entertainment, which more than 1000 bankers attended, was a most popular affair with a ham and egg feast, music and vaudeville.

THE bank women (who have their own association and met in conjunction with the American Bankers Association) certainly are not to be overlooked for they will have much to do with the future of our banking system. Certainly from a standpoint of women, the woman banker is fast becoming important. The average woman, these women bankers declare, can talk over her problems with the man banker as readily as with a woman, but it is the woman of no experience in finance, thrown suddenly upon her own responsibility, who turns to the bank woman and finds her help there. The woman banker can interpret to her legal technicalities which sound puzzling and which she hesitates to discuss with a man. These bank women know banking as well as the men do except that now and then one must wait for them to powder their noses or straighten their bobbed hair. These bank women are growing in numbers and sometime it would seem the American Bankers Association might have a woman president.

THE golf leadership of the financial world is an enviable distinction if one is to judge by the enthusiasm prevailing at the golf tournament held during the convention and especially on the Friday and Saturday following the close of the convention.

THERE was hardly a banker who did not get an opportunity to say a few words over the numerous radio stations that Southern California boasts, most of which gave special programs. One morning more than 1000 bankers broadcast by remote control their singing before the session at philharmonic auditorium. Telegrams advised their friends of the forthcoming event.

THE Los Angeles committee of bankers headed by J. F. Sartori deserve a medal of appreciation for their most splendid work. Not one thing was overlooked in taking care of the guests, even down to sending a basket of California fruit to the hotel room immediately upon the arrival of each guest.

JUST to make things a bit interesting for the golf enthusiasts, a large and impressive group of prizes was awarded. Included in the prizes was the "St. Louis trophy," an impressive cup donated by the bankers of St. Louis in 1919 for annual competition. There were eighteen other prizes exclusive of the Los Angeles and St. Louis trophy cups.

WHILE enthusiasm on the golf links ran high, and many of the delegates showed rare skill in playing, there was considerable talk of the effect that many of them were better bankers than golfers.

IT is rumored that Melvin A. Traylor, newly elected president of the association, did not let the prospect of a year of burdensome new duties prevent him from spending many of his spare moments on the golf courses.

Mr. Traylor, as incoming president of the association, was also host to a group of approximately fifty of the inner circle at dinner in the music room at the Biltmore. Guests were the incoming state association presidents, vice-presidents and secretaries, as well as the staff of the national organization. The gathering was especially marked by the absence of any speech making.

MANY of the delegates and their wives visited the Hollywood, Culver City and Burbank moving picture studios, some of them for the first time. This event was declared by many to have eclipsed all other events in its popular appeal.

THE Los Angeles Country Club was the scene of an interesting golf tournament on both Friday and Saturday, while wives of the delegates joined in the festivities at the club at a garden party and tea dance, arranged under the direction of Mrs. J. F. Sartori, with Mrs. E. Avery McCarthy as her assistant.

Assisting Mrs. Sartori and Mrs. McCarthy in receiving were Mrs. William May Garland and the guests of honor, wives of the executives of the association—Mrs. Oscar Wells, Mrs. Melvin Traylor, Mrs. Thomas Preston and Mrs. F. N. Shepherd. Approximately 1500 were present at this event.

THURSDAY, the last day of the convention, was a busy one socially. In the morning more than 1000 bankers were honor guests of the Breakfast Club, a unique Los Angeles organization. The guests gathered around a huge horseshoe table. Seven Los Angeles bankers acted as hosts at the gathering, at which George Von Elm, newly crowned golf king, was initiated as a member. There was music and song, and Roy Stewart, well-known screen and stage star, gave an interesting demonstration of feats of horsemanship.

THURSDAY evening witnessed an enjoyable affair—the grand ball—at the Shrine Auditorium ballroom, attended by approximately 5000 financiers and their wives. Some of the guests attended the opera in the auditorium earlier in the evening, joining the dancers at the end of the performance. Two large orchestras furnished the music. The ballroom was exquisitely decorated. Those who attended classed the grand ball as the notable social event of the week. The committee in charge was headed by William May Garland, who was assisted by approximately fifty prominent Los Angeles men and women.

AT the Metro-Goldwyn-Mayer studio in Culver City, more than 600 financiers and their wives were the guests of Louis B. Mayer, head of the studio. Mr. Mayer saw to it that production schedules were arranged so that the guests could witness the taking of actual scenes.

A LOVE sequence featuring Lew Cody and Gertrude Olmstead was especially enjoyed, while the visitors also saw Mae Murray at work on Valencia, and Col. Tim McCoy and his Indians staging dances. Of course a large number of stars were present to meet their admirers.

AN interesting sidelight on the convention and the visit to the movie studios was the fact that many of the leading lights of the movie world are also serving on the boards of the banks in Los Angeles and Hollywood.

FOLLOWING the visit to the studios the delegates and their wives attended a barbecue dinner at the Hollywood Bowl. One of the features of this event was the introduction of more than fifty famous film stars. Each studio sent several of their headliners, and the free lance artists were also much in evidence. Fred Niblo, director of "Ben Hur," and often drafted for such occasions, acted as master of ceremonies.

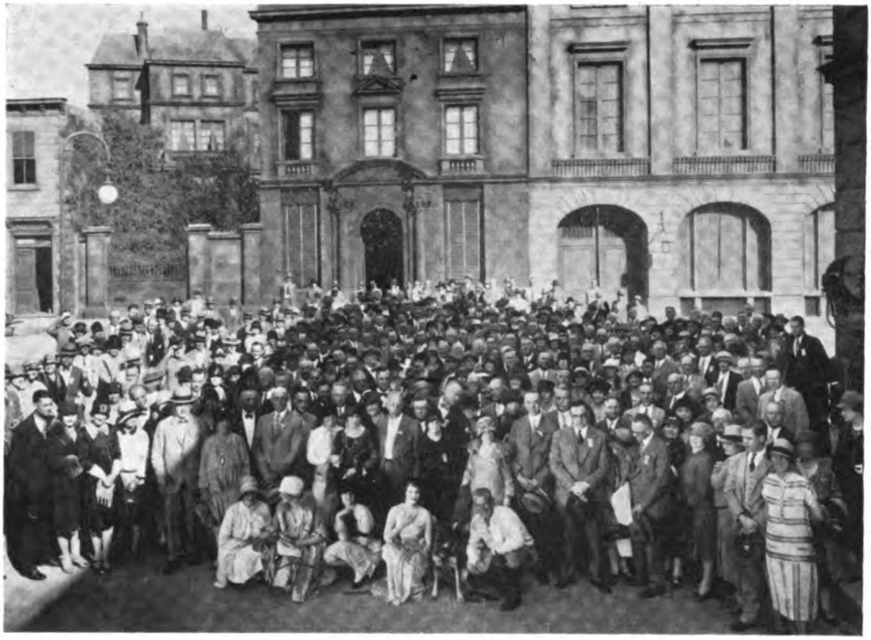
THOSE who did not fall for the lure of the golf links took the morning boat to William Wrigley's famous Catalina Island on Friday morning, returning in the evening. Motley H. Flint, executive vice-president of the Pacific Southwest Trust and Savings Bank, was chairman of the committee which arranged the visit to the island famous for its slogan of "In all the world no trip like this."

HISTORY OF THE ASSOCIATION

Expansion and Adaptation of Structural Organization; Its Activities and Aims.

THE internal history of the association has been one of expansion and adaptation of its structural organization to meet the changing and expanding conditions of banking and of the country. These changes have rendered advisable a division from time to time of specialized activities within the organization. In 1896 the Trust Company Section was formed. In 1902 the Savings Bank Section was organized; in 1906 the Clearing House Section; in 1910 the State Secretaries Section; in 1915, the National Bank Section; and in 1916, the State Bank Section. These "Sections," with the exception of the Clearing House and State Secretaries, were subsequently changed to "Divisions." The American Institute of Banking, which is the educational arm of the association, was formed in 1900 and was organized as a section of the association in 1908. Each of these sub-units functions under its own elective president and other administrative officers, covering its special field in more detail than is attempted by the general activities of the association as described below.

The association as a whole is conducted by the general elective administrative officers, with the annual convention as the supreme authority. The



Visiting bankers and their wives on a visit to the Metro-Goldwyn-Mayer studios at Culver City.

association has an executive council to exercise specific functions of administration and an administrative committee to represent the council and administer the affairs of the association in the interim between meetings of the general convention and the council. The members of the executive council, representative of the various states, are elected by the American Bankers Association membership within those states. The administrative committee, twelve in number, is made up of the president of the association, the two vice-presidents, the last living ex-president, the presidents of the National Bank Division, the State Bank Division, the Savings Bank Division, the Trust Company Division, and four elective members of the executive council from Federal Reserve Districts not already represented on the committee.

The immediate detailed administration of the association is carried on by a permanent staff under the direction of the executive manager. The staff comprises the secretary of the association, five deputy managers who are in charge of the divisions and of the protective department, three secretaries of the sections, the directors of agriculture, education and publicity and the editor of the *American Bankers Association Journal*, which is the official publication of the organization. The legal work of the association is under the supervision of the general counsel. Some of the outstanding features of the broad work of various units of the association are summarized as follows by the executive manager, Fred N. Shepherd:

"The Savings Bank Division in addition to aiding interchange of banking information among banks is continually inculcating the doctrine of thrift among the people. The State Bank Division is working unceasingly to wean people away from unwise speculation and investment in fake schemes, as well as acting as a clearing house of information among banks of this class. The National Bank Division is always watchful of ways to serve all national banks and protect their interests in their Washington contacts. The Trust Company Division deals with questions of state and Federal taxation affecting trusts and with state measures aimed to restrict unduly trust company operations, and also aids the interchange of fiduciary experience among members.

"The American Institute of Banking Section of the American Bankers Association, through its educational courses in banking, is developing thousands of better qualified and more ambitious young bank people for the banks each year. The Clearing House Section is extending the clearing house idea aiding groups of banks to develop the most practical methods devised for co-operation among themselves. The State Secretaries Section is promoting the interchange of successful methods employed by state bankers associations to combat bank crimes and also, co-operating with the general association in its protective campaign.

SPECIALIZED ACTIVITIES

"In addition to these specialized activities relating to banking conducted by the divisions and sections, there is the protective department whch investigates crimes against banks, and also a number of commissions and committees appointed to study particular subjects of general interest to banking, business and the nation. The protective department is grappling successfully with the bank crime situation, both promoting successful investigation of crimes committed and aiding banks in developing defensive and preventive measures.

"The agricultural commission has an organization covering virtually every county in the United States for holding banker-farmer conferences to bring to the farmer greater economic understanding of his business and to the banker better understanding of the farmer's problems. The public relations commission is conducting a nation-wide publicity campaign to educate the public in making greater and more intelligent use of banks, in gaining a sounder investment attitude through bank advice and in avoiding loss to themselves and banks from criminal operations involving bank transactions. To thousands of publications weekly it is supplying sound economic material. It also publishes the *American Bankers Association Journal.*

"The economic policy commission is studying such subjects as the Federal Reserve and the question of rechartering the Federal Reserve Banks, the problem of instalment buying and others. The commerce and marine commission has handled such matters as bringing about a satisfactory settlement of American bank claims in Germany and also studies foreign economic conditions, transportation questions and kindred subjects. The public education commission is reaching millions of people through thousands of talks each year in the schools on banking and allied economic subjects and is doing a great work in starting economic education in the schools. The association last year created The American Bankers Association Educational Foundation of $500,000 in commemoration of its golden anniversary to provide increased opportunities for young people in colleges throughout the country to avail themselves of economic education. This action was based on the theory that banking serves itself best by serving others and the more economic-minded it helps our people to become the firmer will it build the foundations of its own prosperity.

"Then there are a number of active special committees. The committee on Federal legislation is organized to use all proper means to guide legislation affecting banking along lines for the common weal. The committee on state legislation is bringing about increasing uniformity throughout the country in state legislation affecting banking. The committee on state taxation is studying the ways in which tax laws operate in reference to banks with a view to formulating and pressing remedial legislation where unfairness prevails. The insurance committee has completed and copyrighted the new American Bankers Association standard form bank burglary and robbery policy, which clarifies this important subject throughout the country, and is working on the question of a proper blanket bond. The legal department, beside working with the legislative committees in developing desirable legislative policies, is ever on guard against undesirable measures.

"The membership list of the American Bankers Association, embracing about three-fourths of the banks in the country, organizes and binds together the great business of banking for action for the common good along these many lines."

This year's convention was the fifty-second held by the association. The previous conventions were as follows: 1875, Saratoga Springs, N. Y.; 1876, Philadelphia, Pa.; 1877, New York City; 1878, Saratoga Springs, N. Y.; 1879, Saratoga Springs, N. Y.; 1880, Saratoga Springs, N. Y.; 1881, Niagara Falls, N. Y.; 1882, Saratoga Springs, N. Y.; 1883, Louisville, Ky.; 1884, Saratoga Springs, N. Y.; 1885, Chicago, Ill.; 1886, Boston, Mass.; 1887, Pittsburgh, Pa.; 1888, Cincinnati, Ohio; 1889, Kansas City, Mo.; 1890, Saratoga Springs, N. Y.; 1891, New Orleans, La.; 1892, San Francisco, Calif.; 1893, Chicago, Ill.; 1894, Baltimore, Md.; 1895, Atlanta, Ga.; 1896, St. Louis, Mo.; 1897, Detroit, Mich.; 1898, Denver, Colo.; 1899, Cleveland, Ohio; 1900, Richmond, Va.; 1901, Milwaukee, Wis.; 1902, New Orleans, La.; 1903, San Francisco, Calif.; 1904, New York City; 1905, Washington, D. C.; 1906, St. Louis, Mo.; 1907, Atlantic City, N. J.; 1908, Denver, Colo.; 1909, Chicago, Ill.; 1910, Los Angeles, Calif.; 1911, New Orleans, La.; 1912, Detroit, Mich.; 1913, Boston, Mass.; 1914, Richmond, Va.; 1915, Seattle, Wash.; 1916, Kansas City, Mo.; 1917, Atlantic City, N. J.; 1918, Chicago, Ill.; 1919, St. Louis, Mo.; 1920, Washington, D. C.; 1921, Los Angeles, Calif.; 1922, New York City; 1923, Atlantic City, N. J.; 1924, Chicago, Ill.; 1925, Atlantic City, N. J.

A SURVEY OF THE NUMERICAL TRANSIT SYSTEM

A SURVEY of the numerical transit system, especially as it applies to the writing of transit letters, has recently been completed by the bank division of the Burroughs Adding Machine Company, Detroit.

The first step in the development of the numerical system, according to the survey, was taken in 1911 when all banks were assigned transit numbers in order to simplify the registration of transit items. No sooner had the practice of printing these numbers on checks and other instruments of exchange become general than bankers began using the numbers to identify the payer on transit letters.

Bankers were quick to appreciate the saving in time and labor. The number represented both the paying bank's name and address, and could be written in far less time. For example, the Continental and Commercial Bank of Chicago was described by two numbers, 2-3, instead of by seven words of forty-four letters.

Then a few bankers, having seen the advantage of describing the payer by number, began to wonder why they could not also describe the last indorser by number. If that could be accomplished they would again speed up the writing of their transit letters. These bankers knew, of course, that the majority of their out-of-town items were deposited by a very small majority of their customers. (The survey shows that today 85 per cent. of these items come from 2½ per cent. of the depositors.) To this group, bankers assigned regular indorsement numbers, following much the same procedure as had been followed in numbering banks.

For the other group of customers—those depositing 15 per cent. of the transit items—three separate plans are being used successfully today by hundreds of banks. They are known as the alphabetical code system, the block system, and the auxiliary sheet method.

Under the code system, each letter of the alphabet has a numerical equivalent—A is 10, B is 20, etc. Only the first two letters of the indorser's name are used. Baker, for instance, would be written 20-10. In case the transit clerk desires to identify an item, he has the numerical designation, the amount and the date on which to base his identification.

The second plan is the block system. Here the transit items get their last indorser numbers from the tellers' block in which they are included. The block number is stamped on all deposit tickets, letters and items included in the block. The block number, the amount of the transit item, and its time in transit supply positive identification.

The auxiliary sheet system is explained by its name. When items do not carry a regular indorsement number, the last indorser's name is entered on an auxiliary sheet opposite a printed key number. The first key number would be 001, the second 002, and so on. The transit clerk also inserts his number, which we will say is 2, at the left of the key number which then becomes the last indorser's number. On the transit letter, it would be written 2001.

Another important point brought out by the survey is the number of items that can be handled daily by transit clerks when using the numerical system. While the survey showed figures ranging from 2000 to 3000, the average ran between 2500 and 3000 items a day for each transit clerk.

SUITABILITY

By Richard W. Saunders

THERE are few things that contribute more to the success of an enterprise than the suitability of the factors that are brought together in it. This holds true of practically all things in life. A harmony must exist between the component parts. Our life is really one of selection, the ability to choose rightly between this or that factor. It follows therefore that a degree of judgment must be acquired and that the selection must not be fortuitous. While "flipping up a coin" and calling "heads" or "tails" may not be of much moment in trifling matters, it may be fatal in important decisions.

In the matter of individual employment we say of a man who is manifestly out of place that he is a "square peg in a round hole." This simply means that he has chosen his occupation badly. A friend deceives us, secrets that were confided to him become public and one realizes that the choice of the friend has resulted badly. Not enough of a test was made before the sacred confidence that friendship engenders was extended. Even our minds are deceived and a religion, a phase of politics, turn out to be far different from what our original concept of them might have been.

Partnerships in business have grown into more or less disrepute because of the bitter controversies that often arise, even after years of apparently successful combination. One reads of divorces that occur between people who have even celebrated their golden weddings. Of course in the great majority of cases the defect is detected before any long period of time has elapsed and it is not uncommon in the business world for parties who have gotten together for some enterprise and who may even have put up a substantial amount of money, to realize that a fatal difference of opinion exists which results in a dissolution even before the enterprise is put under way.

To face such a fact when it is realized to exist and to at once sever the relations is the next best thing to have never entered upon them. Some one has said that it is not necessary to eat an entire omelet before realizing that it is bad. And probably more money has been lost trying to save a bad investment than the loss of the initial amount would incur.

But if this is the bad side of the picture how much happiness is gained if the partnership or whatever it be, is based upon suitability and a joint outlook on things. How happy life can be made through a combination that enables one person to supplement another and through a joining of forces, gives strength and vitality to the joint enterprise. "In union there is strength."

To cultivate, therefore, the power of selection; to reject the inconsistent; to understand the value of harmony; and above all to so act and think that no strain will break down the combination, is one of the greatest arts of life. Should the break come, it can be made quietly and sensibly. People change, things change and in change is often found progress. But animosity can be avoided. Things sometimes do not harmonize—that is all. And one can then go on to form new combinations and create new conditions which have in them a higher possibility of success. But the new conditions must also be based on suitability without which nothing can be built of stable or enduring value. To choose—but choose rightly—is one of the great rules of progress.

BANKING AND COMMERCIAL LAW

COLLECTING BANK MAY SEND CHECK DIRECT TO DRAWEE

Peterson v. First State Bank of Hillrose, Supreme Court of Colorado, 246 Pac. Rep. 784

THE defendant, being indebted to the plaintiff bank on a note, delivered a check to the bank with instructions to "apply this check on note." The plaintiff bank forwarded the check through correspondent banks direct to the drawee bank. The drawee bank issued its draft in payment of the check but failed before the draft could be collected. In this action by the plaintiff to recover on the note, it was held that the plaintiff was entitled to recover. The check delivered by the defendant to the plaintiff did not constitute payment of the note. And under a Colorado statute it is not negligent for a collecting bank to send a check direct to the bank on which it is drawn, or to receive the drawee's draft in payment.

Action by the First State Bank of Hillrose against Guy Peterson. Judgment for plaintiff on a directed verdict, and defendant brings error. Affirmed.

OPINION

DENISON, J.—The bank had a directed verdict and judgment against Peterson on a promissory note, and he brings error. There were several defenses pleaded, but they all amounted to want of consideration. The consideration, if any, was an indebtedness from Peterson to the bank on a previous note which he claimed had been partly paid by a check for $722.65, drawn on the First National Bank of Sterling, payable to him, which had been indorsed to plaintiff bank by him.

The facts are substantially as follows: Peterson was a depositor in the plaintiff bank. In December, 1923, he gave the bank his three months note for $1625. March 29, 1924, at Snyder, Colo., his post office, he received the check above mentioned, which he at once indorsed and remailed to the plaintiff with direction to "apply this check on note. . . . " On Monday, March 31st, at the opening of the bank, the cashier indorsed the amount of the check on the note, indorsed the check to the United States National Bank of Denver, and mailed it to that bank at Denver. On Tuesday, April 1st, the United States National indorsed it to the Federal Reserve Bank of Denver. On the same day it was sent to the drawee bank at Sterling, where the drawer then and continuously thereafter had a balance sufficient to cover it. April 2d, in payment of this check, the drawee mailed to the Federal Reserve Bank its draft on the Colorado National Bank. On April 4th the Federal Reserve Bank presented this draft to the Colorado National Bank, but payment was refused because the Sterling bank had closed. The cashier of the plaintiff bank, it is claimed, without giving Peterson full information, told him by telephone that the check was not good. On the following Monday defendant called at the bank, was not then given full information, and signed the note in suit to get the books "to show up right." The note was for the amount of the check which had been indorsed on the old note.

If defendant was indebted to the bank when this note was given, there was consideration for the note. He was indebted, if either (1) the check had been dishonored so that he was liable on his indorsement, or (2) the check was not given in payment, in which case he was still liable for the amount indorsed on the old note.

The check was not dishonored. The funds were there when it was presented, it was stamped paid and charged to the drawer which amounted to payment by him, and so, since the drawer stands behind the indorser, defendant's indorsement was discharged.

Was the check indorsed and delivered by Peterson and received by the plaintiff bank in payment on the note? The rule is that the answer depends on the circumstances of each case (First National Bank v. State Bank, 74 Colo. 309, 221 P. 891), but the presumption is that the check is not received in payment (Larsen v. Breene, 12 Colo. 480, 483, 484, 21 P. 498; Edwards v. Harvey, 2 Colo. App. 109, 111, 29 P. 1024; First Nat. Bank v. Newton, 10 Colo. 171, 14 P. 428; Lomax v. Colo. Nat. Bank, 46 Colo. 229, 237, 104 P. 85; Globe Co. v. Taylor, 61 Colo. 430, 440, 158 P. 717).

The vital question, then, is: What was the contract between Peterson and the plaintiff bank on delivery of this check? It is evidenced solely by the written words "Apply this check on note." These words are consistent with either theory of the case. They may mean "apply this check in part payment on note" or "apply this check on note when collected." Consequently we must logically say that the presumption that it was not in payment has not been overcome, and it must be said to have been taken for collection.

When, however, the check was presented to the drawee bank for payment, the holder, the Federal Reserve Bank, accepted a draft in lieu of cash, which, but for our statute, or some special agreemnt, would be negligence per se, and would subject the holder to liability for the amount. Federal Reserve Bank of Richmond v. Malloy, 264 U. S. 160, 44 S. Ct. 296, 68 L. Ed. 617, 31 A. L. R. 1261.

The statute (S. L. 1923, c. 64, p. 172), is as follows:

"Any bank . . . doing business in this state receiving for collection or deposit any check . . . drawn upon or payable at any other bank . . . may forward such instrument for collection directly to the bank . . . on which it is drawn or at which it is made payable, and such method of forwarding such check . . . for collection or payment shall not be deemed negligence for such collecting bank to accept from the bank . . . upon which such check . . . is drawn . . . its draft upon any other bank . . . as a means toward making such collection, unless instructed otherwise by the holder or depositor of such check," etc.

Since the check was taken for collection, and the several holders under the plaintiff were its agents, the statute relieves them all and the plaintiff from liability for the taking of the drafts in lieu of cash.

The plaintiff in error claims that the cashier of the plaintiff bank deceived him by concealing the facts that the check had been paid, and that it was draft given in payment that had been dishonored, and that, therefore, the note was procured by misrepresentation, and so invalid. We think the deceit, if any, is without consequence. The real substance of the representations was that Peterson was still liable to the bank for the amount of the check, and that, as we have shown above, was true. The reasons said to have been given that the check was not good and that the cashier wanted to make his books look right may both have been true, but, if untrue, were immaterial This disposes of the question of the rejection of the evidence tending to show fraudulent intent.

There was no lack of diligence in collection. Every holder acted on the day after it received the check, or sooner. Lewis Hubbard Co. v. Montgomery Supply Co., 59 W. Va. 75, 52 S. E. 1017, 4 L. R. A. (N. S.) 132, 134; Alexander v. Burchfield, 1 Car. & M. 75.

Judgment affirmed.

BANK NOT BOUND BY CASHIER'S PROMISE TO OBTAIN SECURITY FOR BENEFIT OF INDORSERS

Lehigh Valley National Bank v. Rapp, Supreme Court of Pennsylvania, 132 Atl. Rep. 716

In this action by a bank against the indorsers of notes discounted by the bank

it was held that the bank was not bound by a promise of its cashier to obtain security for the benefit of the indorsers upon their becoming indorsers for the accommodation of the maker, in the absence of evidence showing either that the cashier had authority to make the promise or that the promise was subsequently ratified.

Action by the Lehigh Valley National Bank against Raymond W. Rapp and another. Judgment for plaintiff, and defendants appeal. Affirmed.

OPINION

PER CURIUM.—Plaintiff bank sued defendants as indorsers on two notes given by Howard L. Lafaw. Plaintiff's directors authorized the renewal of notes which it had previously discounted for Lafaw, provided defendants Rapp and Kiernan became indorsers. Thereupon the notes here sued upon were made by Lafaw, indorsed by defendants, and discounted by the bank. The only defense set up is that defendants were induced to indorse the notes by the verbal promise of plaintiff's cashier to obtain for their (defendant's) benefit and security a second mortgage on certain land which Lafaw was about to acquire; and that, by plaintiff's neglect, this mortgage, executed by Lafaw alone on property owned by himself and wife as tenants by entireties, if ever a lien at all, became so only after another mortgage, for purchase money, that was subject to a previously existing first mortgage, had been recorded, and a judgment for another debt had been entered against the mortgagor, which made the mortgage given for defendants' security a possible third or fourth lien, instead of the second incumbrance contracted for by plaintiff's cashier.

On failure of proof or offers of proof sufficient in law to show authority in the cashier to make such binding promise as that relied on by defendants or to show ratification by plaintiff bank, the court below directed a verdict in favor of the latter, on which judgment was entered. From this judgment, defendants appeal.

We find no error. Discounting of commercial paper is primarily a function of the directors of a bank and it is for them to fix such special conditions as they may deem proper for loaning the bank's money. Individual officers have no authority unless given in some legal form to make special agreements or promises in regard thereto (Mutual Trust Company v. Stern, 83 A. 614, 235 Pa. 202, 204; First National Bank v. Baer, 120 A. 815, 277 Pa. 184, 188; Bank of Hooversville v. Sagerson, 129 A. 333, 283 Pa. 406, 414), and the promise of the cashier in the present case to obtain security for the benefit of defendants, on their becoming indorsers for the accommodation of Lafaw, was entirely outside the scope of a cashier's general authority; hence, in the absence of evidence to show either special authority in the premises or ratification, plaintiff cannot be bound by any such undertaking.

The judgment is affirmed.

LOSS OF BONDS NOT COVERED BY INSURANCE POLICY

Underwood v. Globe Indemnity Co., New York Supreme Court, Appellate Division, 216 N. Y. Supp. 109

The defendant company insured the plaintiff against loss of securities in transit through the negligence of the plaintiff's employes. An employe of the plaintiff, sent to deliver securities with instructions to obtain a certified check, delivered the securities and received a worthless check bearing an unsigned certification stamp. It was held that the bonds were not in transit at the time of the loss and that the loss was, therefore, not covered.

Action by Walter H. Underwood against the Globe Indemnity Company. From a judgment for plaintiff for $2,871.81 after a trial before a court

and jury, defendant appeals. Reversed, and complaint dismissed.

OPINION

McAVOY, J.—Plaintiff recovered a verdict in this action on a bond of indemnity given by the defendant to the plaintiff. The judgment thereon is challenged as not founded upon the nomination in the bond.

The action was based upon a loss sustained by the plaintiff's assignor, for which the plaintiff claims that the defendant is liable under certain conditions of the indemnity bond. In the bond, the defendant agreed to indemnify the insured "against any loss to an amount not exceeding $50,000 . . . of bonds . . . . through (C) robbery, holdup, or theft by any person whomsoever while the property is in transit within twenty miles of any of the offices covered hereunder, and in the custody of any . . . of the employes, . . . or through negligence on the part of any such employes having custody of the property while in transit aforesaid."

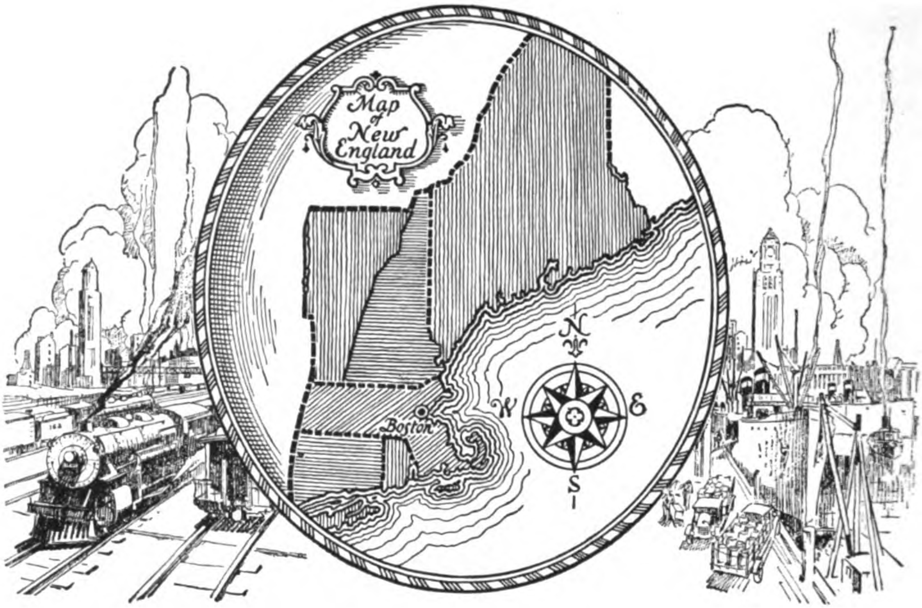
The sole question submitted to the jury at the trial was whether or not the bonds were lost while in transit within twenty miles of plaintiff's assignor's office through negligence upon the part of any employe having custody of the property while in transit aforesaid. The manner of the loss of the bonds as alleged in the complaint and as given in evidence is found in the testimony of the witness Del Re, the custodian of the bonds. It follows:

"Q. And where did you meet Dunn? A. Well, Mr. Dunn telephoned, and wanted to make an appointment to talk over some bonds. So I went up there about three days before I had delivered these particular Liberty bonds, and talked with him about these bonds and some other bonds and 100 shares of stock which he had approved of and would let me know when he wanted delivery on them. So he told me to deliver the 100 shares of stock and the 2½ Liberty bonds—I mean by 2½, 2500—on that Saturday afternoon. Well, I couldn't deliver the 100 shares of stock, because it had to be put in his name after I received payment. I delivered the 2½ bonds to him on a Saturday afternoon, and promised to bring back 100 shares of stock; that is, when it was registered in his name. I merely got the check from him, and merely glanced at it, and it looked like a certification to me, and gave him the bonds, gave him the 2½ bonds, and then I was to bring them downtown and wait for him, and then we were going over to look at some plant in Jersey, and I waited about twenty minutes in front of 347 Madison avenue and then decided that something was wrong, and called up the United States Mortgage and Trust Company; whereupon I learned that there was no account there by that name, and I immediately rushed up there, and found that there was nothing to it at all. It was just fake all the way through.

"Q. Were you instructed to get a certified check before delivering the bonds? A. Yes."

The check which was given had a stamp of certification by the trust company which the witness mentioned, but it had no signature whatever of any officer or cashier of that company, which it was testified to was the custom and usage in similar certifications. The bonds apparently were lost, on this proof, directly through means of forgery, and, while forgery was explicitly excluded under the wording of one of the conditions of the bond, unless such forgery were committed by collusion of an employe, nevertheless no point was made of this condition of the bond at the trial.

Since defendant did not move to dismiss on this point at trial, it waived that point, and we now consider whether there was a loss of the property while "in transit," because certainly the evidence would seem to have warranted a finding of negligence on the part of the employe because of his failure to examine the nature of the certification at the



FACTS

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THROUGH our intimate and widespread contacts with New England business we are able to furnish valuable first-hand information on the character of its trade and business conditions.

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17 COURT STREET, BOSTON, MASSACHUSETTS

NEW ENGLAND'S LARGEST TRUST COMPANY

time he turned over these bonds to this comparative stranger. He knew the necessity of certification in order to be sure of the validity of the check, the amount represented by it being in the bank, and the genuineness of the signature, but he neglected even to assure himself that the certification was signed. The learned Trial Court held as a matter of law that the bonds were in transit at the time of their arrival at the address where delivery was to be made.

We cannot conclude from the proof that the bonds can be said to have been in transit. After Del Re, the carrier of the securities, arrived at the house of Dunn on West End avenue, he testified that they sat down at a table, and, as his testimony shows, he then had the bonds in his coat pocket, and when Dunn handed him the check he passed the bonds over to Dunn and looked at the check. There was a delivery and a loss only after the property had arrived at its destination. While the phrase "in transit" may be considered as implying the whole journey from the place of origin to the place of destination, and does not exclude incidental stops, yet in our view it cannot be considered to imply a continuance of motion after arrival at its final destination. The negligence of an employe which an indemnity company insures against while the employe is in transit would seem to be such negligence as a failure to properly guard securities or moneys while in his possession; negligence in the placing of them still continuing the journey in some unsafe place where they could be lost or abstracted; negligence in exposing them to destruction or loss by placing them in a dangerous place, where they could be destroyed by the elements or in some fortuitous manner.

In Van Vechten v. American Eagle Fire Ins. Co., 239 N. Y. 303, 146 N. E. 432, 38 A. L. R. 1115, the words in a policy of indemnity are said to be used in such manner as "common thought and common speech would imagine and describe it." Transit in common speech is the act or process of causing to pass from one place to another. Here the act of passing had totally ceased. The place of stoppage had been attained. There was no longer transit.

We think the judgment should be reversed and the complaint dismissed, on the ground that transit did not continue after the goods arrived at their destination.

Judgment reversed, with costs, and the complaint dismissed, with costs. Order filed.

BANK BOUND TO PAY DEPOSIT ONLY TO ORIGINAL DEPOSITOR

Hastings v. First National Bank of Corning, Supreme Court of Arkansas, 281 S. W. Rep. 905

An administratrix sold certain property and deposited the proceeds of the sale in the defendant bank to her credit as administratrix. Subsequently, the plaintiff obtained a personal judgment against the administratrix for the value of the property. Thereupon the plaintiff brought this action to recover the amount of the deposit made by the administratrix. It was held that the bank was liable for the amount of the deposit only to the original depositor and that the plaintiff was not entitled to recover.

Action by William Hastings, administrator, against the First National Bank of Corning. Judgment for defendant and plaintiff appeals. Affirmed.

OPINION

McCULLOCH, C. J.—Appellant's intestate, Anna Zuma, instituted an action in the circuit court of Clay county for the Western district against May Zuma to recover possession of a lot of personal property held by said defendant in her possession as administratrix of the estate of John Zuma, deceased. During the pendency of that action the plain-

tiff and defendant entered into an agreement, whereby certain property involved in the controversy was to be given to the plaintiff and the remainder retained by the defendant as such administratrix. The defendant, May Zuma, sold all the property as administratrix of the estate of John Zuma and deposited the proceeds of the sale (notes and cash) with appellee, First National Bank of Corning, to the credit of the administratrix of the John Zuma estate.

The plaintiff, Anna Zuma, died, and appellant became the administrator of her estate, and the cause was revived in his name and proceeded to final judgment.

When the cause came on for trial the agreement referred to above, between the original plaintiff and the defendant, was exhibited to the court in evidence, and upon this agreement the court rendered a judgment in favor of appellant as administrator of the estate of Anna Zuma against the defendant, May Zuma, for the value of the property, found by the court to be the sum of $800.70. Appellant afterwards filed the judgment of the circuit court in the probate court, where the administration of the estate of John Zuma was pending, for allowance as a claim against that estate, and he also instituted the present action against appellee to recover the amount of the deposit with appellee to the credit of the John Zuma estate. Appellant alleged in his complaint that the deposit belonged to the estate of Anna Zuma, deceased, but that appellee had refused to pay the same to him as administrator of said estate. Appellee filed an answer denying that it had any funds on deposit belonging to plaintiff, and upon the issue thus tendered the cause was tried before the court sitting as a jury. The court, after hearing the evidence, rendered judgment in favor of appellee, and an appeal has been prosecuted to this court.

It is conceded that the funds in the bank were credited to the estate of John Zuma, deceased, as a general deposit, and it follows under the law that the relation of debtor and creditor was thereby established between the depositor and the bank. Counsel for appellant concede the correctness of this rule of law, but they invoke, in behalf of appellant's right of action, the further rule that, where a bank holding funds as a general deposit receives actual notice that the funds belong to some person other than the depositor, it can only pay the funds out upon order of the true owner. Carroll County Bank v. Rhodes, 63 S. W. 68, 69 Ark. 43. The difficulty with the application of this exception to the general rule is that the funds deposited were not the property of appellant's intestate. The original action by appellant's intestate against May Zuma was to recover possession of specific articles of personal property, and the court rendered final judgment for the value of the property. That was a personal judgment against the defendant, May Zuma, not for specific funds, but for the recovery of the value of the property sued for in the action. The bank was not a party to that action, and no process, garnishment or otherwise, has ever brought the bank into court to answer for funds belonging to May Zuma. There is no theory of the law upon which the bank can now be made liable for the funds to other than the original depositor.

The right of third persons to sue a bank for a deposit is discussed in the case of Arkansas National Bank v. Martin, 163 S. W. 795, 110 Ark. 578, where we allowed the real owner of funds deposited in a bank to recover from the bank the amount wrongfully deposited by another person in his own name. The opinion in that case excludes the right to recover under circumstances such as are involved in the present case. Appellant's intestate was not the owner of these funds; therefore, she had no right to recover the identical funds deposited in the bank to the credit of another.

Judgment affirmed.

AGREEMENT TO BE RESPONSIBLE FOR NOTE

Falcon v. Mathews, Supreme Court of Rhode Island, 132 Atl. Rep. 609

The defendant agreed in writing to be responsible for a note to be executed by a third party, indorsed by the plaintiff, and payable to a trust company. The note as executed was payable to the plaintiff. It was indorsed by him, and thus was payable to the trust company, not as payee, but as indorsee. The maker failed to pay the note at maturity, and the plaintiff brought this action on the defendant's agreement to be responsible for the note of the third party. It was held that the defendant was liable for the amount of the note even though the plaintiff was named therein as payee instead of the trust company.

Action by Hector P. Falcon against Charles J. Mathews. Verdict was directed for defendant, and plaintiff excepts. Exception sustained.

OPINION

RATHBUN, J.—This is an action for breach of contract. The trial in the superior court resulted in a direction of a verdict for the defendant, and the case is before us on the plaintiff's exception to such direction and to the exclusion of testimony.

It appears that one Edgar J. Dillon desired that the plaintiff become an accommodation indorser on Dillon's note to enable him to secure a loan from the Union Trust Company, a banking institution. The defendant, to protect the plaintiff from loss arising from such indorsement, signed an instrument as follows:

"City of Providence, State of Rhode Island, January 4, 1922. I, Charles J. Mathews, the undersigned, do hereby agree to be responsible for the note of three hundred fifty dollars ($350.00) payable to the Union Trust Company, signed by Edgar J. Dillon and indorsed by Hector P. Falcon.

"If said Edgar J. Dillon fails to meet said note when due, I agree to pay to the order of Hector P. Falcon the full payment of three hundred fifty dollars ($350.00).

"[Signed] Charles J. Mathews.

"Witness: Arthur H. La Flamme."

On the same day Dillon went to the trust company to obtain a note that he might take it to the plaintiff for his indorsement, and was told that it would be necessary for the plaintiff to come to the bank. In response to a message by telephone, the plaintiff came to the bank, and the loan was obtained. The note was made by Dillon, but was not made payable to the bank, as payee, and indorsed by the plaintiff, but was made payable to the plaintiff and indorsed by him, so that it was payable to the bank, not as payee, but as indorsee. The face of the note was as follows:

"Providence, R. I., January 4, 1922. Four months after date I promise to pay to the order of Hector P. Falcon three hundred and fifty dollars at Union Trust Company. Value received. Edgar J. Dillon, 83 Summer street."

Dillon failed to pay the note when due, and the amount was deducted from the plaintiff's account. The defendant refused to indemnify the plaintiff, and he brought this suit on the contract. The trial justice ruled that there was a material variance between the condition on which the defendant agreed to be bound and the act performed by the plaintiff. The instrument signed by the defendant amounted to a promise on his part to be bound when the plaintiff complied with the conditions; that is, obtained the money from the bank for Dillon as specified in the defendant's promise.

We think the view of the trial justice of the understanding between the parties, as evidenced by the writing before us, was too narrow and technical in passing upon a commercial transaction of this nature. We, of course, recognize the rule that a person has the absolute right

"Five years from now, heat-leaking houses will not be sound financial risks. Nobody will want to live in them . . . or buy them."

ELI T. WATSON
President
Watson, Williams & Co.
New Orleans

Is it *ever* wise to loan money on a *heat-leaking* house?

MANY prominent bankers and leaders in the building field consider it extremely unwise to loan money on a heat-leaking house today.

Such houses, they say, are fast becoming obsolete . . . harder to sell, harder to rent, harder to mortgage . . . because they are below the new American building standard.

For Celotex Insulating Lumber has made heat-leaking unnecessary. In the walls, ceilings and roof of a house, this remarkable lumber keeps sun heat from beating in and furnace heat from leaking out. It reduces fuel costs by about a third. All at little or no extra building cost.

Largely on the advice of architects and other building authorities, people everywhere are building with Celotex. Over 80,000 homes have been so built in five short years. Production has been doubled four times in the past two years. Today, The Celotex Company is producing more insulation used for building purposes than all other insulation manufacturers combined.

Nobody wants to invest money in a house that is sure to be out-of-date in five years, or less. Look ahead before you loan money on a house today.

Ask your architect, contractor or lumber dealer to tell you more about Celotex. Leaders in these lines urge its use.

Meanwhile, have your secretary write for a free copy of the Celotex Building Book. It explains this important matter of house insulation fully.

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CELOTEX
INSULATING LUMBER

to specify the terms and conditions upon which he agrees to be bound, and that he is not bound if there is any material variance between the conditions imposed by him and the acts performed by the promisee.

The note was not in existence when the writing was signed, and it appears from said writing that what the defendant desired was that Dillon obtain on his note, indorsed by the plaintiff, a loan from the bank, and that is exactly what was accomplished. Whether the note be payable to the bank as payee or indorsee is a matter of form rather than substance. The rights and obligations of the defendant would be the same whether one form or the other was adopted. He would not be entitled to notice in either event. In Keith v. Goodwin, 31 Vt. 268, 73 Am. Dec. 345, the court said:

"The name of the person to whom the note is payable is mere form. It is understood that it is going into the market as money and in exchange for money, to any party who will make the discount."

Substantially the same question has frequently arisen where a surety, who has become such by indorsing a note, seeks to avoid liability by reason of some slight alteration of the instrument. In considering such a case, where the alteration consisted of substituting in place of the business name of a partnership the names of the partners as payee, this court, in Arnold v. Jones, 2 R. I. 345, holding that the surety was not discharged, said:

"Alterations in instruments are deemed immaterial, where neither the rights nor interests, duties nor obligations of either of the parties are in any manner affected or changed."

The plaintiff's exception to the direction of a verdict for the defendant is sustained. The defendant may, if he shall see fit, appear on April 5, 1926 and show cause, if any he has, why the case should not be remitted to the superior court, with direction to enter judgment for the plaintiff for $350, and interest thereon from the date of the writ.

BUSINESS SITUATION FAVORABLE

SPEAKING before the New Hampshire Bankers, Northern Bankers and New Hampshire Savings Banks Associations recently, Archibald F. Maxwell, vice-president of the Guaranty Trust Company of New York, discussed the present business situation, saying in part:

"In view of the remarkably high levels of general business activity that have been maintained for about two years, it is somewhat surprising to find that the unsound conditions which a period of prosperity usually generates, and which sooner or later terminate in crisis and depression, are almost entirely absent. The favorable features of the situation clearly predominate, and provide an adequate basis for the expectation of continued good business for some time to come. With the rate of activity as high as it is now, no pronounced expansion is to be anticipated. The most that can reasonably be expected is that present levels will be maintained and that some of the less favorable underlying conditions will improve.

"The basic fact in the current situation is a huge volume of production combined with a ready movement of goods into the channels of distribution. Thus the two main requirements for any sustained period of prosperity are fulfilled; namely, large production and large consumption. Without large production there can be no general prosperity; but unless the goods produced move freely into the hands of consumers they not only fail to produce prosperity, but lead to glutted markets, price weakness, loss of confidence, suspended industrial activity, unemployment and all the other conditions that contribute to the general economic stagnation which is called 'hard times.'"

THE CREDIT DEPARTMENT

By M. E. Robertson

THE duties of the ordinary bank credit department are in most instances the assembling and analysis of information, together with expressions of opinion concerning the quality of risks. Its opinion is not generally final, but is expressed to the loaning officer, who weighs it with his personal knowledge of all circumstances and decides as to what position the bank will take. In this way the credit department not only performs a constructive piece of work, but it also acts as a training school in developing future credit officers. In assembling outside opinions of the risk, in its analysis, which is usually from a "cold blooded" angle (because the analyst usually does not have personal contact with the customer), and in its expression of opinion, it serves as a check to the loaning officer. The loaning officer coming in contact with the customer, having known him possibly for years, is blinded many times by the customer's personality, and accepts the proposition because of the customer's selling ability. The credit department in the back-ground is immune to this. It is well to be close to a proposition and the officer is the one who should be the bank's contact in this connection. However, it is perhaps possible for the bank to get too close, if officers, credit department and all, come in contact. In such instances that cold analysis is lost, and it must be admitted that such an analysis has considerable value and acts as a safety valve where the contact point, the officer, becomes a little too "hot" over the proposition.

CHECKING THE BANK'S CREDITS

One division of the credit department is the self-owed credit insurance company of the bank. This is the angle wherein the bank checks its own credits. The amount which the bank spends for its credit department in conjunction with its own credit risks, should be in proportion to its risks. The amount which is spent for checking credits for others (service) should either be considered as a necessary expense of banking to meet competition (render service rendered by others), or charged to advertising and business solicited on the basis of this service.

In many instances, if the amount of credits checked is compared with the expense of the credit department applicable to checking and analyzing these credits, it will be found that the amount that is spent for insurance is very small. Losses are inevitable, but often a small increase in department expense would so greatly enhance the insurance value of the department that it would be wise. Good business really requires that some losses be incurred in connection with credit granting, but good business likewise requires that such losses be in reasonable proportion to the volume transacted. While, perhaps, it is not generally as much to a bank's discredit to have a long period without a loss as it is to have a long period of heavy losses, it should in most instances be nothing to brag about. In either instance, the bank is not earning all that it should.

To turn down reasonable risks because they are not absolutely "bomb proof," brands the bank as too conservative and it will fail to get its share of business. It is neither profitable nor good business to have turned down request after request for credit and then walk the streets years later and see the same individuals who had been refused credit, at the same old stands of business conducting a profitable and flourishing trade. Of course, some of those who were turned down and today do a profitable business should have been turned down because the risk at the time was too great for the bank to assume. How-

Name	J	F	M	A	M	J	J	A	S	O	N	D

Year	Date of Invest'g.	By	Rating and Remarks

Example "A". Form of investigation card.

ever, when too many who have been turned down prosper, the fact is in most instances testimony to too conservative policies. Turning down good business, reasonable risks, gives the bank a bad name and generally means the loss of more than just the account of the man refused, for people do not care to deal with a bank which is drying up from conservatism. Too liberal policies and large losses on credits likewise give the bank a bad name because people do not care to deal with a group of speculators. The problem is to hit a happy medium, and thus do the reasonable volume of business which requires the assuming of reasonable risks.

TAKING A CONSERVATIVE ATTITUDE

Generally, if the credit department were the final authority on risks, the bank would be too conservative. It is the credit department's place to take the conservative credit attitude, the cold viewpoint, and submit this to the loaning officer. A thing which usually tends to make for a real conservative attitude in the credit department is the fact that it is largely made up of younger men who take a conservative stand, for they would rather be criticised by their seniors for being too conservative than for being too liberal. They have a better chance of rising in the ranks with conservative tendencies, than with speculative traits. As the junior of the credit department goes up the ladder, he generally gets more liberal views than in his earlier days when he was passing opinion and checking by rule of thumb, and it is therefore preferable to have the junior tend to conservatism. It is difficult, however, to endeavor to hold a speculator down.

The functions of the credit department will, therefore, be those duties which tend to make for the most conservative credit tendencies. The officer will perhaps not care to ask for a statement nor insist on one, nor ask for details, etc., but the credit department will feel that all this is necessary, and should be obtained. It is easily possible to give the credit department some leeway in this regard without injuring the bank. The department can take the initiative and request the data. It can write follow-up letters, and if the customer comes in complaining to the loaning officer, whom he feels he knows well, the loaning officer can back up the department or can make the customer feel a lot better (if he feels the case warrants) by saying words to this effect, "Forget about it, we usual-

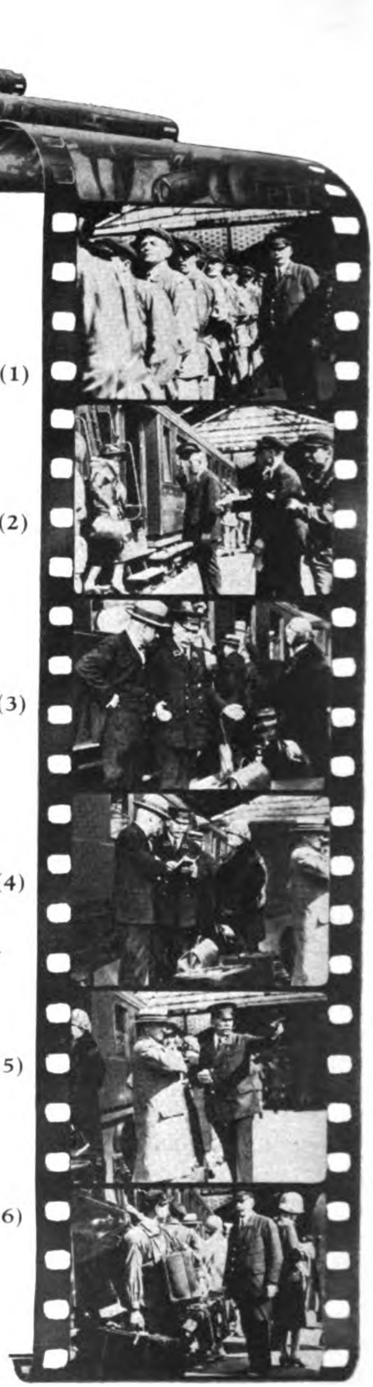
Actual

"Close-Ups"

from the

AMERICAN EXPRESS COMPANY'S Human Incident Travel Reel—

" The Hand of a Great Service "



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No. 1. A line of French porters at the arrival of the steamer train. The "Hand" in waiting.

No. 2. The most welcome sight to travelers arriving in a foreign city is an American Express courier with his courteous greeting of service.

No. 3. Endless details regarding baggage are turned over to him. His "Service Hand" is the surest of all checks.

No. 4 *and* *No.* 5. A never ending source of information—intelligent, experienced, accurate. His service and advice inspire instant confidence. *He is the Service.*

No. 6. Making doubly sure that the details of the service for which he is responsible are carried out. One of the many factors which have made the "hand" of his Service great.

These "close-ups" are photographs of actual incidents—six from six thousand similar scenes happening every day at the great ports of the world and the railway stations of foreign cities.

Wherever and whenever assistance is needed the traveler abroad will always find the "*helpful hand of a great service.*" Endless in its variety, constant and efficient, it is the American Express Company's personal expression of its sincere desire to serve.

Banks everywhere assure this service to their traveling patrons to the fullest extent when they sell them

American Express Travelers Cheques

NAME	Jan.	Feb.	Mar.	April	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.

YEAR	DATE OF STATEMENT	SOURCE	REQUESTED	DATE RECEIVED	WHERE REC'D

FORM C R 55
D—DIRECT. B—BROKER DUN—DUN'S AGENCY. BRAD—BRADSTREETS F—FORM. X—OTHERS

Example "B". Simple statement card.

ly get all that from our customers and they are generally quite ready to advise us. The bank examiners like to see such information in the files, but you forget about the letter and I'll straighten it out with the department."

The department has taken the conservative stand and is over-ruled, which relieves it of responsibility. So, all the way through, its duties should be those which make for the safest credit policies. Let us here enumerate some of these:

1. Periodic investigations.
2. Periodic requests for financial statements.
3. Requests for financial data, such as profit and loss statements, explanation of statement items, etc.
4. Cold analysis of all information on hand, direct and indirect.

The periodic investigations and requests for statements, necessitate the keeping of certain follow-up records. Follow-up systems are usually best when they include a two-way record, i. e., a card which lists the name alphabetically, and a card which is filed according to the time it is to come up. In the case of both statement and investigation follow-ups, a plain white card can be used for the alphabetical index. In fact, the same card can be used for both records, although this is not generally so desirable because the two records come under the control of different men. As to the investigation card and the statement card, the two cards reproduced on accompanying pages are given as suggestions. These cards are designed to be used in a weekly file index. A general division should be marked for each week (fifty-two divisions). The general scheme is shown in drawing "C".

There should be divisions such as January 1, January 7, January 15, January 22, January 29, February 5, February 12, etc. The cards are made so that there is room to write, in pencil, the date on which they are to be brought up. They are then filed under the correct week. The advantage of this system over permanent tabbed cards is that the date can be readily changed. If the statement is written for, the card can be dated ahead two weeks and filed again. When the statement comes in, the card is dated ahead a year or six months, to be brought up for new figures, and filed. If, later, additional information is written for, the carbon of the letter is given

The strongest guarantee ever made on a bank bookkeeping machine! Read it

GUARANTY!

We hereby guarantee that Dalton Equipment, Machine No. ________ together with its Electric Motor Drive Unit No. ________ to be of first class material, and should any part thereof be found to be out of repair, either from defective material or workmanship, when delivered, or while the machine remains in the hands of ________

the original purchaser, we agree to repair the equipment without charge for a period of Five Years from date hereof upon notice in writing calling attention to such defect.

This guarantee shall cover all repairs to said equipment of every nature that are incident to the customary or normal use of the same; but shall not include such repairs as may be made necessary by carelessness, misuse, accident, abuse, burned-out motor, fire or the elements. The special clauses pertaining to ribbons on the reverse side constitute a part of this agreement.

Executed at Norwood, Cincinnati, Ohio

THE DALTON ADDING MACHINE SALES COMPANY

By ________

—definite trade-in value
—free mechanical service

NOW Dalton guarantees its "MULTIPLEX" Bank Ledger Posting and Statement Machine for five years. And it guarantees the machine's trade-in value at the end of that time!

Dalton also offers free mechanical service during those five years—an offer made possible only by the Dalton's simple design and sturdy construction.

Have a Dalton man show you the machine, and tell you of the savings it will effect in your bank. A demonstration takes only a few minutes and implies no obligation to buy. Just phone the nearby Dalton Sales Agent.

THE DALTON ADDING MACHINE SALES COMPANY

Cincinnati, Ohio, U. S. A.

Agents for Canada: The United Typewriter Co., Toronto and Branches
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Dalton

Adding-Calculating · Bookkeeping · Statement and "Cash Register" Machines to the person keeping the card record, and he dates it, say, two weeks ahead from date of writing. The card is taken out in two weeks, if the data is not in, and given to the party interested. A flexible follow-up is thereby possible.

If an investigation is a poor one and it is not thought advisable to put a revsion a whole year off, the card can be dated a short time ahead and filed. Each card should bear only one date. When a new date is put on, the old should be erased. Also, in order that the follow-up card can be located, the alphabetical index card is marked with the date to correspond to that on the follow-up card. This is changed each time the follow-up card is changed. One card serves as a check on the other, and when one card is taken out the other should also be taken out, and they should be refiled at the same time after the dates on them have been checked. This follow-up system does away with loose papers and files and enables all letters and files to be routed promptly back to the files and not held out to be used as their own follow-ups.

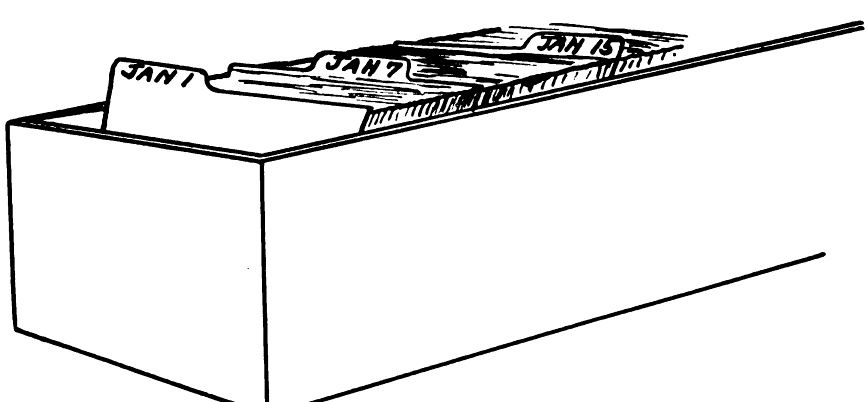
FOLLOW-UP SYSTEM

This follow-up system, the keeping at the customer for what information is desired, the periodic investigation and the careful analysis of all this information helps make for conservative credit granting. The officer is inclined to be lenient with the customer, and it is well to have the department capably supervised and give it a range of authority as to these features. It is in this respect that it accomplishes most for the bank, and in relations between officer and customer, the officer can gracefully "pass the buck" to the department. A department which does not follow good credit practices, but follows only liberal views of officers, loses much of its value.

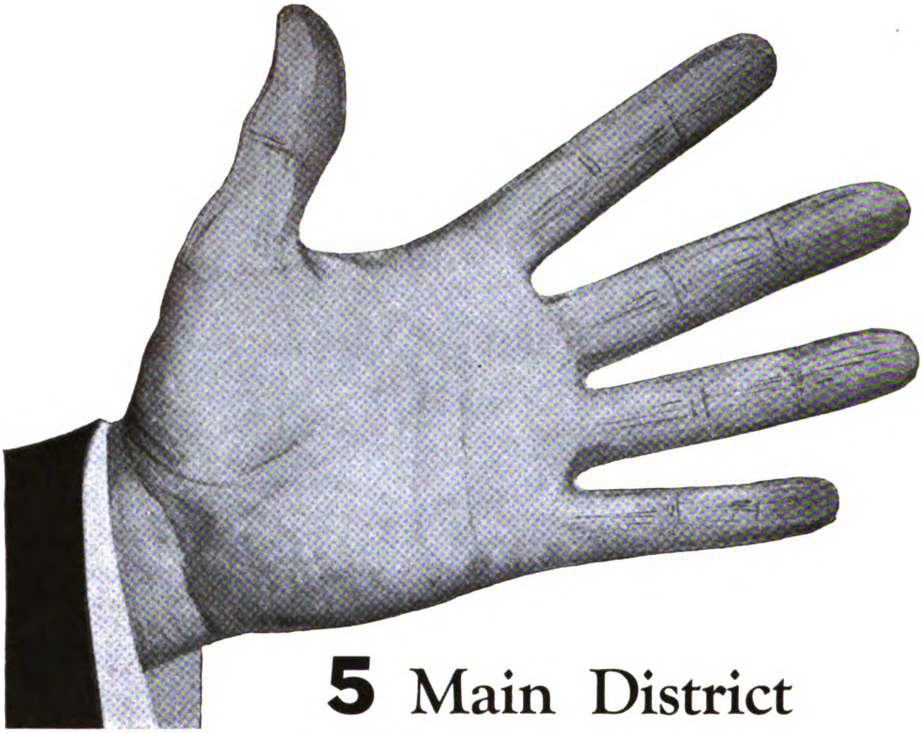
Necessity will arise for various systems to handle special work peculiar to particular credit departments.

The work of making investigations for others in most large banks is an important part of the work of the department. It requires as skilful men to assemble and analyze this data, as it does the information on the risks in which the bank itself is interested. In passing opinion on to others, the bank places itself open to criticism if the data is not accurate, because it comes into contrast with information furnished by others. To promptly reply to inquiries means to follow investigators closely and this again necessitates the employment of a follow-up system if there is any volume to the work. The writer will not attempt to describe any follow-up systems in use for this part of the work, but will leave it to the individual credit manager.

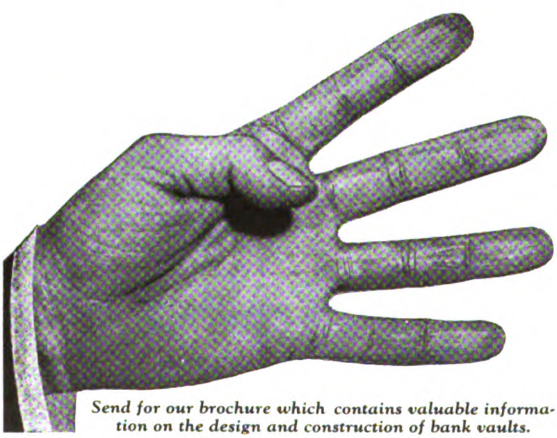
Most banks make a practice of reply-



Example "C," Weekly file index.



5 Main District Federal Reserve Banks



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SOME SOCIAL ASPECTS OF THE FARM PROBLEM*

By Evans Woollen

SOCIAL solidarity and economic strength in the United States are based on the farm. For a century and a half, the span of our national life, the farmer has been the sure resource from which America has drawn values in character as well as in substance. Class distinctions and caste prejudices do not flourish in the companionship of the fields. Destroy the city and the productive effort of agriculture will build it anew. Let the farm disappear and the city will languish to its death. Manufacturing, mining, transportation, trade, finance are not effective for long without agriculture.

Since 1920 an economic gulf between agriculture and other business undertakings has been of serious proportions. The year 1924, the best of the period for the farmer in many respects, yielded on fifty-nine billions in property valuation a net return of 6 and 6/10 per cent. The Department of Agriculture, in arriving at that figure, made no allowance for depreciation or management. The value of land and equipment had been reduced from seventy-nine billions in 1920 as a basis for the analysis. This makes more significant the meager return. The average net income for the five years 1920-1924 is estimated by the National Industrial Conference Board, after exhaustive research, at about 1 and 7/10 per cent.

Such is the situation faced. It has great significance. It concerns the Mississippi Valley in a special manner. By all tests this heritage of land ought to be without a superior as a source of material gain for its occupants. "The upper part of the Mississippi Valley," says Van Hise, "including large parts of Ohio, Wisconsin, Minnesota, the Dakotas, Nebraska, Kansas, Oklahoma and Texas, and all of Illinois, Iowa and Indiana, is the garden of the United States, the heart of the country. No equally large area in the world can be compared to it in present fertility." The very words of Van Hise constitute a challenge to bring about somehow a better distribu-

*From an address delivered before the Indiana Bankers Association at Lafayette, Ind., September 22.

tion of the rewards the soil confers.

Two aspects of the farm problem appear on the economic side. The farmer, by his patriotic endeavor to win the war with food, stimulated agriculture to abnormal production. This abnormal production could not be brought abruptly to an end with the close of the conflict. The process of farming will not permit quick changes to the degree possible in manufacturing. Crops must be planned far ahead. A rotation policy necessary for the best results cannot be altered instantly. This obstacle intensified a condition of over-supply and under-demand that developed, the latter proceeding chiefly from the impairment of European purchasing power.

The long-term aspect of the problem goes back into the last century. The complaint then in some quarters was that agriculture was so attractive that capital would not flow into industry on the scale desired. As a consequence of that and other arguments our national policy since the Civil War has favored manufacturing. The stimulation of the factory has been the great concern of the Government. This is not to say that agriculture has been wholly disregarded in national legislation. It is to say, however, that the encouragement of manufacturing has been the predominant feature of our national policy.

Direct, as well as indirect taxes, have bearing too on the problem. The National Industrial Conference Board has found, after relating taxes to income for the purpose of showing their real effects, that in 1922 the ratio of taxation to income for agricultural groups was 16 and 6/10 per cent., while for all other groups it was 11 and 9/10 per cent. The year before the World War the American farmer on the average was paying in taxes 10 per cent. of his income. The remainder of the population was paying 6 per cent. Since then income taxes have, of course, borne more heavily on others than on the farmer but, with the reduction of income taxes, we are now, it is estimated by competent authority, "about back" to the 1915 ratio of 10 to 6 against the farmer. The Department of Agriculture made an investigation of conditions in three Indiana counties—Tipton, Miami and Monroe. One represented high value, one average-value, and one lower-value land. The tax records of more than 100 farms were examined. The income accruing to the land in the form of rent, before taxes were deducted, was found to be 3 and 8/10 per cent. annually on the value of the farms. City real estate in the same territory yielded 4 and 6/10 per cent. before taxes were deducted.

EVANS WOOLLEN

President the Fletcher Savings and Trust Company, Indianapolis, Ind.

On machinery, fertilizer, clothing and other manufactured goods that the farm requires, railroad freight charges are higher than they were ten years ago. Spokesmen for agriculture have contended that they are even higher proportionately on the products of the land. The farmer reasons that freight rates are included in the price he pays for what he buys. He also contends that the price he gets for his products is the terminal market quotation, minus freight rates to the terminal market and the local dealer's profit. The plea has been for lower rates on crops and livestock. It is agreed, and by none more than the farmer, that transportation, if it is to be relied on for effectiveness, must be prosperous. The question raised is as to the distribution of the rate burden.

The three outstanding factors in the agricultural problem are then the favoring attitude toward industry assumed by our Government, a taxing system that bears unduly on the land, and the control of transportation rates.

Conditions inherent in agriculture, which should be distinguished from these three circumstantial influences, are being met by the farmer himself. His initiative, resourcefulness and courage were never displayed more admirably. The need for more effective organization of farm units and for better methods in both buying and selling is recognized.

In and of itself, the farm is rising to the emergency. There can be no complaint from other population groups on that score. But the farm, in and of itself, cannot, unless it should succeed in establishing monopolistic control over its products, remedy maladjustment arising out of our national policy of industrial stimulation, our taxing system and our control of transportation rates.

The interdependence of country and city, farm and factory, are revealed. The danger of a divided social structure is emphasized. The present generation is called upon to give new impetus to the nation's destiny. We are indeed confronted by the question "whether we shall strive for a well-rounded, self-sustaining national life in which there shall be a fair balance between industry and agriculture, or whether, as have so many nations in the past, we shall sacrifice our agriculture for the building of cities."

INSTALMENT BUYING CRITICIZED

GEORGE F. Johnson, president of the Endicott-Johnson shoe company, recently criticized the practice of instalment buying, according to the *New York Times*, holding that it was undermining the spirit of thrift in the nation, was increasing the cost of living and was creating only a fictitious prosperity. His company employs 17,000 persons.

"Assuming that the appeal to purchase under this plan is to those who have small incomes and who otherwise would not be able to buy the luxuries offered, and considering their welfare and happiness as the greatest principle involved," said Mr. Johnson, "I believe this method of sale and purchase makes for unhappiness and discouragement and frequently wrecks human lives. Freedom from debt, except for a modest home modestly furnished, is the greatest blessing next to good health that the poor may enjoy. Debt is a form of slavery. It takes from them independence of action and taxes them severely in the way of higher prices and living costs.

"This question is generally approached from the standpoint of the business interests which profit through this plan of mortgaging the poor man's future labor, who gamble with his health, his job and hoped-for prosperity, and who make money through the system, caring little for its effect upon the unfortunate victims.

"Teaching the poor man that he may get luxuries before he has secured the necessities of life, before he has given his family those things essential for their health and happiness, should be condemned in the strongest possible way."

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THE FINANCIAL AND ECONOMIC SITUATION ABROAD

WITH Germany formally admitted to the League of Nations, with Briand and Stresemann conferring on the possibility of a more complete rapprochement between their respective countries, wth a steel combine of Western European producers actually ratified, with currency stabilization programs on foot in Italy, France and Germany, Europe appears to be at least making progress toward a greater economic and political stability.

While the entrance of Germany into the League does not of necessity mean the end of international conflict in Europe, at least it means that points of difference can be discussed openly within the League with all the great powers represented and co-operating. It seems probable that the old "balance of power" system of European politics is to be supplanted by international treaties and agreements approved by the council.

As evidence of this newer order the quoted words of Stresemann and Briand at Geneva are significant. Said Herr Stresemann:

"Today Germany enters the circle of states to some of which she has been attached by untroubled ties of friendship whereas others were allied against her during the Great War. It is surely an event of historical importance that Germany and these latter states are now brought together within the League of Nations for permanent and pacific co-operation. . . .

"The Divine Architect of the World has not created mankind as a homogeneous whole. He has made nations of the different races. . . .

"But it cannot be the purpose of a divine world order that men should direct their supreme national energies against one another, thus ever thrusting back the general progress of civilization."

Said M. Briand:

"Gentlemen, today means peace! Germany and France are here to say: 'C'est fini!' (It is finished!) The series of bloody wars with which all the pages of our history are stained—that is finished. The war between Germany and France—finished! No more wars between us. No more brutal efforts to settle our differences. . . . Henceforth it is the judge who will decide. We are going before the courts to settle our troubles."

In spite of the conciliatory tone of these two speeches it is evident that national susceptibilities in both countries must still be taken into account. Evidently as a sop to the German nationalists Dr. Stresemann in the course of his Geneva speech intimated that the acceptance of Germany as a League member was a tacit admission that she was no longer to be held to account as the sole author of the Great War. Naturally this statement could not go unchallenged by Premier Poincare who in a subsequent address to French War veterans placed the blame for the War on the Imperial German Government although drawing a line of distinction between the Imperial Government and the German people. He called upon the present German Government to disavow the acts of the Imperial Government and stated that such action would result in complete conciliation. It is evident that both of these speeches were intended for home consumption.

The question of war guilt while a very live issue in the years directly following the war is evidently not now of such supreme importance except to the extreme nationalists in both countries. As evidence of this witness the lack of public excitement in Paris which attended the recent rumor that the German ex-Emperor would shortly return to German soil. While it is certain that the French Government will never allow such an event to take place without serious protest, it is significant that to the man in the street the question of the location of the Kaiser is no longer of any great interest. The return to power of the Hohenzollerns is not looked upon as within the bounds of possibility.

THE MEETING AT THOIRY

Informal conversations over the cafe tables seem to be a feature in the newer European diplomacy. During the recent Geneva session of the League Briand and Stresemann took advantage of the opportunity to unostentatiously motor over to Thoiry, a small town just across the French frontier where they visited a country inn noted for its cuisine and over the luncheon table discussed some of the mutual problems of their respective countries. Although the exact nature of their decision is not known, it is reported that it concerned the possibility of adjusting some of their national differences. Among other things Stresemann is reported to have suggested that in return for the military evacuation of the Rhineland and the recovery by Germany of the Saar Valley, Eupen and Malmedy, that Germany turn over to France preferred shares in the German Railways Company to be marketed by France in her campaign for the stabilization of the franc. This suggestion is said to have been approved in principle by President von Hindenburg and Chancellor Marx although apparently it was not so enthusiastically received by French Government circles. Poincare is evidently not willing to go as far as Briand in trusting Germany and is said to be only luke warm on the Locarno system. The suggestion is not received with much favor by the French public as it is believed that the bonds are really not Germany's to give as they already belong to the allies. Financial opinion, while sympathetic with any plan looking toward the stabilization of Europe, does not feel that the time is ripe for the flotation of such a large issue of bonds at this time. There are many technical difficulties in the way of making these securities attractive to investors. Furthermore, such a large issue could probably only be floated in the United States where the Government would likely oppose any such action until after the ratification of the American-French debt agreement. It is felt, however, that sooner or later these securities can be used in some such manner suggested.

THE BRITISH COAL STRIKE

Although the coal strike still remains unsettled, latest reports are to the effect that the men are gradually drifting back to work. As a result of the general strike the various trade unions are seriously crippled financially and are unable to give aid to the striking miners.

At a recent labor conference Ramsay MacDonald, the leader of the labor party, confessed that he was appalled by the present state of trade union finance and stated that he felt that a solution of the present difficulty lay in political rather than industrial action. This is taken to mean that the Labor Party will place the nationalization of the coal mines as one of the major planks or its political platform. MacDonld is reported to have declared that he would have introduced a bill for the nationalization of the mines had his party remained in office for another year. Meanwhile the Conservative Government is contemplating legislation looking toward the reform of the Trades Union law by making strikes illegal unless preceded by a secret ballot.

Recent figures on coal output reveal a weekly production of only 500,000 tons as compared with a normal output of more than 4,000,000. At the end of August only six steel furnaces were working as compared with 147 on the eve of the coal stoppage. August pig iron output was 136,000 tons against 539,100 in April and 452,000 in August, 1925. Steel production in September was only 52,100 tons against 66,100 in April and 477,100 a year ago.

Industrial dividends now being declared reflect actual losses or feared losses while prominent steel and iron companies in many cases are passing dividends altogether. Much borrowing is expected before the coal industry can get going again and it is believed that many companies will have to undergo financial reorganization. Even were the coal strike to end tomorrow it is not now expected that an immediate revival of industry would take place. The effects of the strike are cumulative, and will be felt for a long time after the strike is over.

THE COST OF THE STRIKE

"The Westminster Bank Review" for September contains a letter on the cost of the coal strike and quotes Sir Hugh Bell as estimating the cost up to the end of August as approximating 290 million pounds. Among the factors mentioned by the "Review" as entering into the total cost is the stoppage of England's productive capacity through the reduction in the effective labor force by about 15 per cent. meaning a weekly loss in national income of about £10,500,000. In conclusion the "Review" says:

"The lesson would seem to be that, whatever be the results achieved by militant action as a means of settling industrial questions, these are purchased at enormous cost. Those into whose hands modern industrial development has placed the responsibility of deciding between peace and war should realize the grave nature of the trusteeship which they hold in the interest of the whole community."

"BRITISH GOODS ARE BEST"

The above slogan appearing as a post mark on British mail is part of a general campaign to persuade the public to be loyal to home made and Empire made goods. As part of this campaign the government is said to be contemplating the adoption of a compulsory system of labelling foreign made goods so as to apprise the consumer of the country of origin of the product. This proposal which is based on the American tariff system is supposed to appeal to the patriotism of the consumer and to induce him to favor home industry. According to the plan the labelling of any given product is to be decided upon by a committee of the board of trade and applications must "substantially represent the interests of manufacturers, producers, dealers, users, consumers or a body of wage earners." Judging from American experience patriotism will not sell home products unless they are as good or better than imported ones. In the United States foreign made goods are often favored over domestic goods simply because they are foreign made if the country in question has a reputation for excellence in that particular type of commodity. For example, woolen hose labelled "Made in Scotland" would probably be favored by the American consumer over an American product selling at the same price, simply because Scotland enjoys a reputation for making woolen hose of the highest quality. In this case the label, far from causing discrimination against the foreign product, serves to enhance its value in the mind of the consumer.

ENGLAND'S MELANCHOLY PROPHETS

Dean Inge, dean of St. Paul's cathedral, London, has promulgated another one of his gloomy prophesies concerning the future of the British Empire. In a recently published book he says:

"Everything points to a coming time of trial for the nation and the empire. It seems for every reason unlikely that our position as a world power will endure much longer. Much depends upon the friendliness of the United States on which we certainly cannot count, though of which we should not despair.

"The cordial friendship which many Englishmen enjoy with individual Americans—must not blind us either to the intense concentration of the American people at large upon what they consider their own interests, or to prevailing unfriendliness of America, as expressed by its politicians and journalists, to this country.

"If in the future we are attacked by a European coalition, we may take it as probable that the United States will leave us to our fate, unless we are invaded by a black army."

A special cable to the *New York Times* reports Sir Alfred Mond, recently returned to England after a visit to the United States, as follows:

"I found one of the most harmful things that has appeared for a long time in America was the extraordinarily foolish pronouncement of Dean Inge. The whole American press was full of it in pictures and big headlines, but with very little text, simply trying to show that the Empire was doomed and that Great Britain would disappear.

"How we were supposed to carry on very difficult negotiations in this defeatist atmosphere, created before we arrived, it is really difficult to see. It makes negotiations very irksome.

"It is almost intolerable that men who are experienced neither in finance nor commerce and who have never had to deal in a practical way as others have with business matters of vital importance to Great Britain, should hinder our efforts when we are trying to hold our ends up.

"Fortunately many of the better instructed men in New York are in close touch with the European situation and the effect is, to some extent, discounted, but when you think that the whole atmosphere of America today is filled with the decadence of Europe and her own overwhelming superiority in the fields of finance and industry, it is almost criminal for Englishmen to assist in creating still further such an adverse atmosphere against Great Britain.

"Another thing that was spoken of to me by leading American financiers was the folly on the part of some of our publicists in whining about the American debt payments. They assured me that it was the last way in the world to obtain anything from American debt payments. They are destroying the good impression which was created and which was of inestimable value to British credit, by the way we unflinchingly took up the burden of our debt.

"In fact, this kind of attack is seriously endangering Anglo-American relations, and that was said to me by one of the leading international bankers in New York."

POINCARE PRESENTS BALANCED BUDGET

On October 12, the Poincare government introduced a budget in the Chamber of Deputies which, for the first time since the World War, shows an apparent surplus. Total expenditures for 1927 are estimated as 39,382,000,000 francs and receipts as 39,960,000,000. Under the government's plan the surplus will be utilized to speed up home production, especially in wheat, to obviate the necessity of importing from countries having a high exchange.

Appropriations for payments on the foreign debt are provided for to the amount of 2,375,000,000 francs of which 1,500,000,000 is expected to come from reparations payments. The Sinking Fund Commission will have at its disposal 6,174,000,000 francs to reduce the public debt.

The question of the ratification of the American debt agreement is still unsettled and as this is written (October 13th) it is reported that ratification is considered doubtful. Deputies find that public sentiment in the various districts is strongly opposed to French acceptance of any greater burden. The French public has yet to be educated to the importance of the settlement of the debt as a preliminary to the financial assistance necessary for the stabilization of the franc.

THE FRENCH BALANCE OF TRADE

Whereas the trade balance has been adverse to France in every month since the beginning of the year except May and July, the August returns show a surplus of exports over imports amounting to 308,000,000 which compared with an export excess of 228,000,000 in July and with a 39,000,000 excess of imports in August, 1925, the first deficit month of that year. August results have reduced the import surplus to 2,155,000,000 francs for the eight months. There was an export surplus of 3,199,000,000 for the corresponding period of 1925.

FRENCH TAX COLLECTIONS

Public revenue receipts for August were satisfactory. The normal revenue of 3,126,000,000 francs for August is slightly below the July figure but better than the return of other previous months and it compares with 1,812,000,000 in August 1925. This indicates that a substantial amount of direct taxes is being paid in advance, and that the increase in indirect taxes under the Poincare bills of August has already begun to take effect. An increase of nearly 5,000,000,000 francs has been secured in the revenue for the first eight months of the year compared with 1925. Nine tenths of this increase was due to indirect taxes and only one tenth to direct taxation.

The government's moral position with the public seems to be on a high level. The public is awaiting with considerable confidence the result of the Poincare regime's program for balancing the budget, bringing down the cost of living and stabilizing the currency. Part of the strategy of the government seems to be to avoid so far as possible the consideration of domestic issues on which opinion is divided. Sooner or later, however, these issues must be faced and then will come the first real test of the strength of the present government. The present coalition was brought about for the purpose of putting through a very definite and essential program. Only so far as this program is progressively and effectively carried out can the present combination be expected to endure. In other words, unless the government can point to continuous accomplishment in the carrying out of its policies it will be subject to serious criticism in the chamber.

Premier Poincare's program for administrative economies includes a compression of the judicial system of the country at an estimated saving of 26,000,000 francs as well as cuts in army and navy expenditure and in the organization of the reconstruction service for the devastated regions. His measures call for the retirement of 3900 officers and the abandonment of 170 military establishments.

BANK OF FRANCE BUYING GOLD

Under special parliamentary sanction the Bank of France has been buying gold and silver from the hidden hoards of the French people. Buying was started on September 27 and long lines of people eager to sell their savings were reported not only in Paris but in all provincial towns. The gold louis is being purchased at the rate of 114 francs 60 centimes paper for a gold louis worth 20 francs gold. The silver ecu, worth 5 silver francs, is bought for 13 francs 2.75 centimes. The purpose of this operation is to increase the gold reserve of France preparatory to a stabilization program. It is estimated that between 1,000,000 and 2,000,000 francs is hoarded by the French people not a small portion of which is below ground.

THE SITUATION IN GERMANY

Indications are that industrial depression in Germany which started a year ago is now approaching an end, although no immediate boom is to be expected. Unemployment has fallen off half a million since February last and bankruptcies in August were only 490 as compared with 2016 in February. Germany is expected to retain a large part of the coal trade obtained as a result of the British strike, and a larger trade with Russia is expected as a result of the recent export credit scheme.

The German finance minister recently declared that the next international loan placed by Germany will be in reichsmarks and not in dollars or sterling or distinctly stipulated gold marks. This is interpreted as notification that the reichsmark, although still not convertible into gold, must be considered as safe as the best full-valued currencies.

Recent reports indicate that the machine industry is occupied to 55 per cent. of its capacity. Toolmakers are working three days a week and raw steel production has been raised from 67½ per cent. to 70 per cent. for the month of September. Yields from German taxes continue to increase, August tax yield being 651,431,000 marks or 130,000,000 more than in 1925. Surplus from German railroad operation in August was substantial, receipts being 410,595,000 marks and expenses 400,951,000 of which 49,977,000 was earmarked for service of the reparation bonds. Car loadings have increased 11 per cent. since April.

Speaking of the financing of sales of American merchandise in Germany, "Transatlantic Trade" the organ of the American Chamber of Commerce in Germany says:

"Some branches of trade are compelled to do business in Germany on six months' credit, and even longer. It is clearly evident what becomes of a firm's operating capital when it is compelled to pay cash and sell on credit. It is likewise clear that resort must be made to the services of a financing corporation, but there is not sufficient competition, and probably not enough liquid capital, to bring down interest rates. One instance that came to our recent attention showed that the German agent of an American firm was paying 13 per cent. to a financing organization for discounting bills. Of this amount 9 per cent. goes on the price of the goods and 4 per cent. is carried by the agent. This naturally handicaps sales, especially so as in this particular line there is German competition."

INCREASE IN REICHSBANK CIRCULATION

Reichsbank circulation has increased 300 million marks between June 23 and September 23 mainly due to the incoming of foreign credits, as the bank has been continuing its policy of converting all foreign exchange into gold. In a recent statement Dr. Schacht, director of the bank, said:

"The increase in Germany's currency circulation has been, in general, caused not by growing production, but by the too liberal acceptance of foreign credit. This development is the cause why the Reichsbank recently abandoned its practice of maintaining the dollar exchange at a fixed price (parity) and entrusted its exchange to the free market. By this means the Reichsbank acquired the possibility of using its influence against a too copious flood of foreign capital."

Dr. Schacht took occasion recently to deny rumors that the bank proposed to coin gold, saying:

"In this question the Reichsbank shares the view of other important countries that the accumulation of gold in a note bank, with occasional free surrender of gold for foreign payments whenever the rate of exchange so demands, is a more satisfactory form of gold currency than the saturation of business with coined gold."

THE STEEL COMBINE

Steel producers of Western Europe have entered into an agreement designed to put an end to competition. Hereafter the signatories of the combine—French, German, Belgian, Luxemburg and Saar Valley interests—will produce steel not in the measure of their capacity to manufacture and market but in a fixed proportion agreed upon. England and the United States are not parties to the agreement. The purpose of the agreement is to substitute collective for individual competition, to stabilize prices through fixed production, to overcome the chaos of post war competition, to keep down overproduction and minimize unemployment.

The *London Economist* summarizes the provisions as follows:

Potential sales will be fixed yearly, and will vary between 26,000,000 and 30,000,000 tons for the four countries.

Quotas will be fixed on a basis which was originally—Germany, 43.18 per cent.; France, 31.19; Belgium, 11.63; Luxemburg, 8.23; and Saar, 5.77. It is now understood, however, that when the production total is fixed at 27,000,000 tons Belgium is to have 12½ per cent.; when total production is less than this Belgium's ratio will fall slightly; when the total rises Belgium's ratio will also rise.

Sales will be ascertained quarterly.

Production by each country in excess of its quota is optional, but is subject to penalty. Each country will pay into a common fund an amount of $1 per ton of ingot steel produced, and for amounts in excess of the potential amount a sum of $4 per ton. Should the production of a country be less than the potential amount a compensation of $2 per ton of production below the potential amount will be made.

Accounts will be settled yearly, and any amount then remaining in the fund will be distributed to the countries participating in proportion to their quota percentage.

The amount per ton payable to the common fund may be increased by a majority decision.

Each country will respect the home market of the other signatories.

A contingent is fixed which Lorraine and the Saar may send duty-free into Germany.

A leader in the *London Economist* comments as follows on British attitude toward the steel cartel:

Turning to current moves for international steel syndicates, what do we find? Many misconceptions and contradictions. It is stated that if Continental European steel makers succeed in forming the proposed comprehensive combine, and we neglect to join, we shall be crushed between tne upper millstone of American competition and the nether millstone of Continental competition. It has just been noted that American trustified competition is little more than a bogey. If the suggested Franco-German-Belge-Luxemburg, etc., iron pact does really materialize, selling prices will be advanced and competition against our products will be less, and not more, keen. It is stated that the pact is needed because productive capacity has outgrown consumptive requirements. Nothing can be more calculated to curtail demands than an increase of selling prices. In any case, American steel makers will not come into the combine. If they were so disposed, the law would not permit them. With all the European iron and steel makers in a ring, regulating output and increasing prices, American competition might then become a serious proposition, and we on this side mght lose heavily. It is contended that we would do better to share trade than compete for it. That means two things. It means artificially high prices and a further reduction in the world's purchases of steel—in other words, more unemployment; and it means that the British industry will become a mere unit of an international combine, which would allocate undue proportions of the available business to foreign nations. We have only to turn to the history of the old International Steel Rail Syndicate for proof of this. Before that combine was formed we exported more rails than all competitors put together. That was proper. We made the best rails, and we had the best shipping facilities. We had the most colonies requiring rails. We had the most capital invested in foreign railways. We had the greatest economic need of a big trade in manufactured exports to balance food imports. Instead of taking measures to enable ourselves to continue to hold the leading position, we joined the syndicate—a trade-sharing scheme. We very quickly fell from a long-leading first place to a poor third position in steel rail exports. Our people were out-voted. Our peculiar needs and rights were ignored. Voting power, bounties and subsidies, tariffs, and all other possible means were used to dislodge British trade from the premier position. It would be just the same if we joined in a more general steel products syndicate. Foreign industries would claim export shares on the basis of productive capacity, ignoring our claim to abnormal exports of manufacturers to pay for abnormal imports of food. They would claim progressively increasing shares of the syndicated trade simply because they have secured, in special circumstances, increasing shares before the formation of the combine. We should find ourselves as effectually beaten in trade generally as we were beaten in the single product of steel rails before the war. What British industry cannot secure by purely British efforts it will never obtain as a unit of an international syndicate or trust.

EFFECT OF CIVIL WAR IN CHINA

Import business throughout central China is being adversely affected by the civil warfare in the Yangtze Valley and the continued decline in silver exchange, according to the United States Department of Commerce. The favorable effect on low silver exchange is partially offset by the difficulty of securing supplies from the interior and the resulting high prices for many commodities. The leading Shanghai imports markets are dull, particularly iron and steel, piece goods, automobiles and paper. The lumber market is reported as normal. July machinery imports into Shanghai increased about 12 per cent. compared with the previous month.

The export markets show some improvement in demand although in most cases actual business is restricted by the prevailing high prices. Declared exports from all China to the United States during the first seven months of this year totaled U. S. $80,080,000, against $101,825,000 for the same period of 1925.

Declared exports from all China to the United States for August totaled U. S. $11,047,000 against $12,800,000 for the same month last year. August declared exports from Shanghai totaled U. S. $4,187,000.

CONDITIONS IN CZECHOSLOVAKIA

The mid-September review of the Anglo-Czechoslovakian Bank of Prague summarizes as follows the economic position of Czechoslovakia:

The monthly meeting of the Czechoslovak National Bank took place on August 24 under the chairmanship of the governor, Dr. Pospišil, who is at present in the chair of the financial committee of the League of Nations in Geneva. In the report for the month ending August 15 the continued ease in the money market was commented on, and attributed in part to further repayments of treasury bills. Demands for credits were again restricted; and in holdings of bills of exchange a relative increase in the proportion of short dated bills could be noted. Stagnation still reigned in industrial production and exports. An improvement in home trade could only be looked for after the grain and hop harvest and the beginning of the sugar campaign. The prospects of this year's crops were now better than had been anticipated in view of the improvement in weather conditions. The position of the bank in regard to means of payment abroad remained satisfactory, and it was noteworthy that the reduction in the favorable trade balance had not led to any reduction in the stocks of foreign bills held by the National Bank.

Dr. Engliš, the Minister of Finance, in the course of an interesting review of the consolidation period in Czechoslovak finances before a large audience at the Danube Fair at Bratislava, stated that his policy was to dispense with foreign loans, as from the point of view of national economy they were not only useless but positively injurious, as they served to increase imports and led to an abuse of consumption. An exception was made in the case of foreign credits destined to stabilize the exchange or to facilitate the importation of products required by industry. In all other cases Czechoslovakia must rely on her own resources. To balance the budget radical measures of economy were required; this year the budget expenditure would be reduced by 370,000,000 crowns. The principal task at present was the consolidation of the floating debt, and in this connection the consolidation loan, which was put on the market at the beginning of the year had been a greater success than any one had hoped for; as a result it had been possible to repay all treasury bills of a year's duration. Dr. Engliš mentioned that the state railways had made a net profit of 200,000,000 crowns, but had been forced to contract a loan of 600,000,000 crowns for their maintenance and construction program. A modification of the fiscal system was foreshadowed as one of the most essential reforms.

The possibility of reduction in the bank rate in Czechoslovakia is freely discussed, but it appears unlikely that a decision will be taken on this subject until the harvest and sugar results are known.

DR. KEMMERER BACK FROM POLAND

Dr. Edward W. Kemmerer, head of the American financial mission to Poland, recently returned from that country. In an interview shortly after his arrival he said:

"Poland is steadily recovering from her economic crisis. Her budget is balanced and for the last five months she has had a generous surplus to apply to old debts. Since 1920, Poland has progressed at a more rapid rate than any other country in the world. Today she has less foreign debt per capita than any nation in Europe."

The bank authorities of Poland have approved the majority of the recommendations made by the commission offered in relation to the Bank of Poland. These include the increasing of reserve requirements and the making of the issue of bank notes more elastic. Before Dr. Kemmerer arrived in Poland, Bank of Poland stock was down to 51. Today it is doubled. Security prices are tending upwards. Eight per cent. bonds of Poland were selling at 83. Now they are at 88.

The report of the commission is to be published shortly.

ITALY'S CAMPAIGN FOR A GREATER WHEAT YIELD

In order to make Italy independent of cereal importations from abroad the government has been offering prizes for the greatest percentage yield of wheat per unit area as compared with the average yield for surrounding districts. As a result of the campaign Italy will this year have a wheat crop of 60,000,000 quintals leaving only 15,000,000 quintals to be imported. The prizes were awarded by Mussolini in person in a solemn ceremony.

The first prize was won by Giuseppe Santagati of Catania, Sicily, who obtained a crop of thirty-nine quintals per hectare (hectare—2.47 acres) the average of the surrounding region being only ten quintals. The second and third prizes were won by farmers who obtained a crop of twenty-seven quintals per hectare in regions where the average crop was only eight quintals. The best crop recorded was one of forty-six quintals per hectare, but this was grown in a region where the average yield was twenty-four quintals and therefore obtained only the twenty-fourth prize.

The importance of these results may be gauged by the fact that the average yield per hectare throughout Italy this year was only twelve quintals and in average years runs considerably below that.

INTERNATIONAL BANKING NOTES

THE quarterly statement of the Royal Bank of Canada, Montreal, as of August 31, 1926, shows total resources of $738,442,581, capital of $24,400,000, reserve fund of $24,400,000 and current accounts of $592,895,366.

THE annual report of the National Bank of New Zealand, Limited, London, shows total resources, as of March 31, 1926, of £18,471,719, paid-up capital of £2,000,000, reserve fund of £1,980,000 and deposits of £10,438,468.

The net profit, after paying a bonus to the staff of £14,000, providing for bad and doubtful debts and including £167,697 brought forward from previous year, amounts to £500,784. The interim dividend at the rate of 12 per cent. per annum, paid in January last, absorbed £117,741. The sum of £20,000 has been placed to premises account, leaving available for distribution £363,043. This will be used as follows:

	£
In payment of a dividend at the rate of 12 per cent. per annum for the half-year ended March 31	120,000
In payment of a bonus of 2 per cent.	40,000
To reserve fund	20,000
To pension and gratuity funds	10,000
Balance to be carried forward	173,043

The bank has opened a branch at Petone and agencies at Aramoho, Hamilton East, Katikati, Lower Hutt, Papanui and Wellington South. The agency at Aratapu has been closed.

THE directors' report of the Queensland National Bank Limited, Brisbane, shows a net profit for the year ending June 30, 1926, of £194,676, to which is added £15,950 brought forward from the preceding year, thus making a total of £210,626. Interim dividends paid quarterly at the rate of 10 per cent. per annum amounted to £111,477 and £50,000 was transferred to the reserve fund, leaving £49,149 for distribution as follows:

	£
Dividend at the rate of 10 per cent. per annum	37,500
Balance to be carried forward	11,649

During the year branches have been opened at Capella and Goomeri in Queensland and at Casino and Lismore, New South Wales.

The statement of the bank, as of June 30, shows total resources of £14,459,792, paid-up capital of £1,500,000, reserve fund of £710,000 and deposits of £8,566,481.

ANNOUNCEMENT has been made by the Anglo-Austrian Bank Limited, London, of an arrangement between that institution and the British Trade Corporation for the formation of a new bank, the Anglo-International Bank Limited, which will take over the business of the other two institutions. The new bank will have a paid-up capital of £1,960,000, of which £1,360,000 will be issued as fully paid-up to the Anglo-Austrian Bank Limited and the British Trade Corporation, while £600,000 will represent entirely new capital, the issue of which for cash has already been arranged at a premium of £400,000. The new bank will thus be provided with additional resources of £1,000,000. It will conduct business at the present address of the Anglo-Austrian Bank Limited, 24-28, Lombard street, London, E.C.3.

STATEMENT of the condition of the Jugo Ginko (The Fifteenth Bank) Ltd., Tokyo, Japan, as of June 30, 1926, shows total resources of yen 537,153,424, capital of yen 100,000,000, reserve fund of yen 31,791,000, and deposits of yen 364,278,319. The statement shows a net profit for the last six months of yen 3,573,325, which with the balance brought forward from the last statement leaves to be disposed of yen 4,894,570. This amount is to be distributed as follows:

	Yen
To reserve fund	900,000
To bonus for officers	180,000
To dividends	2,487,500
To balance carried forward to next account	1,327,070

A BIBLIOGRAPHICAL bulletin on international affairs has been issued by the Research Center on International Affairs and the International Institute of Intellectual Co-operation, Paris. The bulletin is one of a series begun in 1925 and issued monthly with the purpose of giving the public a general, but practical guide to the most important books and articles, in all languages, that have been published during the previous month.

THE condition of the Mitsubishi Bank, Ltd., Tokyo, Japan, according to the statement of June 30, 1926, shows total resources of yen 419,309,812, capital of yen 50,000,000, reserve fund of yen 26,129,535 and deposits of yen 316,345,500.

The net profit for the last half year is yen 3,267,614 and the balance brought forward from the last half year is yen 1,055,838. This leaves a total of yen 4,323,453, to be disposed of as follows:

	yen
To legal reserve fund	500,000
To special reserve fund	500,000
To pension reserve fund	200,000
To bonus	200,000
To dividend at 10 per cent	1,500,000
To balance carried forward to next account	1,423,453

CANADIAN PROSPERITY CONTINUES

By J. W. Tyson

DESPITE an unsettled harvest season in Western Canada, with protracted rains and early snows which have delayed threshing operations, ruined some of the crops, materially reduced the grade of a portion of the yield and disorganized labor arrangements, the prospects are that the prairie provinces will still harvest a good, paying crop. If the dollar total is not so great as that of last year the promise is that the margin available for new purchasing will be as large or larger. It is estimated that the proportion of the harvest returns to be devoted to liquidation of outstanding debts will be considerably smaller than in 1925. The situation, while for a time bringing uncertainty to business, is clearing away and the prospects are for a continuation of the moderate industrial and general business prosperity which has been experienced in recent months. The business and financial community has undoubtedly been disappointed in the outcome of the federal election and the defeat of the short-lived Meighen conservative government. However, it is generally recognized that the King administration is now in a better position to give constructive government than prior to the crisis which led to its defeat in the House and the situation is, therefore, a distinct improvement as compared with recent years during which the government has held office by the pleasure of a third party.

The return of confidence in the western crop situation has led to the placing of more substantial orders for fall and winter goods, and these are in turn reflected in industrial circles and in the improvement of the employment situation.

The employment index is higher than at any other time this year. Improvement is also seen in the weekly car loadings. General merchandise being moved shows further expansion. Manufacturing operations continue on a good scale. Motor vehicle production is on a considerably higher level than last year. Implement plants are busy and this industry is in a more healthy condition than for some years. Bank note circulation, clearing house returns and railway earnings all point to fair weather in the business community. Trade figures, steel production and figures of paper output are likewise satisfactory. Improvement is noted in the furniture and boot and shoe industries which have hitherto not participated to the same extent as other industries in the general betterment. The lumber industry is still depressed although somewhat more active in British Columbia. Building statistics are showing the effect of the seasonal decline. Statistics of business mortality reflect the more healthful conditions prevailing.

UNFAVORABLE WEATHER

Only the unfavorable weather during the harvest season prevented Western Canada from garnering a much more satisfactory crop than had appeared possible earlier in the season. Early threshing returns—and threshing is the final test—particularly in Saskatchewan, the big wheat province, were showing bigger yields of higher grade than had been thought possible. Considerable areas where it had been felt that the summer dry spell had destroyed the crop, reported that timely rains had not only prevented total loss but had in many cases brought back the crop in yield and quality to a remarkable extent. Saskatchewan was showing prospects of a total yield not far below that of last year while Alberta and Manitoba expected to do better. As the result of the wet weather and early snows much of the wheat will lose grade but, because of the more general adoption of mixed farming throughout the prairie provinces, there will now be less grain a total loss as it can be used for feed and thus return an indirect profit in meat or dairy products. While, therefore, the return in dollars to the farmers will be somewhat disappointing, the fact that debts have been largely liquidated in recent years will materially affect the margin available for new buying and already there are indications that, from the standpoint of trade, conditions will be better than a year ago.

Developments in the British labor situation are being closely followed because of their bearing on Canada's export trade in foodstuffs. For months now the bacon, cheese and other foodstuffs industries have been affected by the low buying power of a large portion of the British community. Any settlement which would lead to a clearing of the air and a restoration of normal income to the workers would undoubtedly be reflected in a better demand for Canadian food products.

Conditions in the steel industry are generally healthy. Output of pig iron and steel ingots and castings is considerably greater than a year ago. Iron and steel plants are busy and there are inquiries for the first few months of 1927 which indicate that demand will continue good during the winter months. In the machinery and some of the other metal trades, however, the state of depression which has prevailed since the collapse of the period of post-war prosperity continues. Automobile production is showing an increase of something like 75 per cent. over the output for the same period last year.

Canada's foreign trade is showing an increase of better than 10 per cent. over the corresponding period of 1925. Of this increase about one-third is due to exports and the remaining two-thirds to imports. The favorable visible balance of trade now stands at $360,000,000 for the last twelve months as against a similar balance for 1925 of $305,000,000. The relatively large increase in imports is regarded unfavorably by economists as indicating a greater volume of manufactured goods coming into the country while exports consist largely of raw materials.

Conditions in the milling industry for the current year are regarded as more hopeful than for some time. There has been keen competition among the millers as the result of increased capacity to meet war conditions. New markets are now being opened up—one of these being South America—and the prospects are for the re-establishment of a more satisfactory margin of profit.

Because of keen competition, the result of production on an unhealthy scale, the lumber industry continues to show unsatisfactory profits. On the Pacific Coast plans are being discussed for extensive mergers by operating interests with the idea of reducing production costs. The problem of the British Columbia mills which compete with the mills of the western United States has been aggravated by the passing of legislation enforcing a 40 cent minimum wage hour. The lumbermen contend that this will raise their costs and place them at a disadvantage. The policy of the government is based on the theory that the minimum wage will result in the employment of a larger proportion of the more efficient white workers as compared with Orientals.

The slump in the silver market threatens to interfere with the profits of operating mines in northern Ontario and the possible effect on their earnings has already been reflected in the action of the stock market. Canada's position as a gold producer has been recognized by the League of Nations in its latest publication on the currencies of the world. Until this issue Canada had not been mentioned in the table of gold producers whereas she is now shown as only third to Transvaal and the United States and showing annual increases while the United States is producing less each year. Perhaps the most important mineral development in Canada at present is in connection with the properties of the Consolidated Mining & Smelting Co. in Central British Columbia. The capacity of the concentrator at the Sullivan Mine at Kimberly is being increased to 4000 tons daily. This is the property which for years defied the smelting engineers and has now, with the discovery of new methods, developed into one of the most valuable mineral properties in the world. The shares of the company have advanced to about ten times their par value largely on the strength of these operations.

The tourist season has been a profitable one for Canada. It has been estimated that tourists spent in this country more than $200,000,000 and the bulk of this came from visitors from the United States. In British Columbia, where it has been possible to keep a census of the tourist business, it is estimated that from April 1 to September 30, 67,052 automobiles brought in a total of almost 200,000 visitors.

BANK CLEARINGS INCREASE

Bank debits in August were 27 per cent. and 17 per cent. greater than in the corresponding months of 1924 and 1925, respectively. They were also greater than in any other month of the present year except April and June. The total in August, as reported to the Dominion Bureau of Statistics by the Canadian Bankers' Association, was $2,446,000,000 as compared with $2,090,000,000 in the corresponding month of 1925, an increase of $356,000,000. The debits in August, when adjusted for seasonal variation, show an increase of 8.4 per cent. over July.

Bank clearings in August were $1,403,506,917, as compared with $1,248,105,224 in the corresponding month of 1925, an increase of 12.4 per cent.

BANK OF MONTREAL

The stock exchange house of McCuaig Brothers & Co. has issued a comprehensive review of the Bank of Montreal which reveals at a glance the changes in the institution's various vital figures over the last twenty-five years. The bulletin reviews the progress of the bank since its inception and says in part:

"In 1900 the capital of the bank stood at $12,000,000, and its reserve at $7,000,000. At the end of last year the capital and reserve had each increased to $29,916,700, representing an increase in one case of 250 per cent. and in the other of 427 per cent. While premiums on new stock and adjustment of capital and surplus assets of the Merchants and Molsons banks when taken over were responsible for $15,957,000 of the growth in rest account, the remaining $6,959,000 was contributed from surplus earnings. In the same twenty-five year period net earnings increased from $1,524,000 to $4,605,000, a growth of 300 per cent., or at a somewhat more rapid rate than the paid-up capital of the bank. On the other hand, in the same space of time its total assets rose from $78,852,000 to $755,000,000 representing a growth of 957 per cent. and the number of branches increased from 52 to 616.

INVESTORS ENTITLED TO GREATER PUBLICITY

IN its current Monthly Letter, the Royal Bank of Canada reviews Prof. Ripley's recent article in the *Atlantic Monthly* and comments on the similarity of the bank's own views on the same subject. The letter says:

This whole discussion is of special interest to us because the January, 1926, issue of the Monthly Letter of the Royal Bank of Canada in dealing with this subject began by taking up the advantages which would accrue to the investor through a more liberal publicity policy on the part of the corporations, and then went on to show that there were even more important advantages which might be realized by the whole financial structure of our economic organization through the effect of such publicity upon the business cycle. At that time, our letter said in part:

"It is quite evident that great benefit would enure to the business and financial structure from measures of credit control calculated to prevent the too wide swings in security prices with their attendant evils.

"Because changes in the price level of securities increase the volume of business on the exchange, the whole financial organization surrounding the exchange is under severe temptation to disseminate rumors which will encourage changes in the prices of securities. Daily papers contain frequent reference to the formation of new pools, whose purpose it is to control and manipulate stock prices. While the activity of pools which function in a true speculative capacity is not under question, yet the circulation of false rumors injuring the value of stock, or the releasing of good news after the pool has bought from less intimately informed investors, and other destructive and injurious operations of this character result in the loss of earned savings and undermine the confidence of the investing public.

"When a company lists its securities on the exchanges of the world, it is asking for financial assistance from the investing public. If the financial and industrial world wishes to retain the full confidence of this public, it must come to recognize the rights of the individual investor. Semi-annual or quarterly reports may be issued with the idea of giving the public enlightening information as to the real status of the company. The responsibility of the directors to the stockholders for the efficient and honest administration of the company is well recognized, and there will come a more complete realization of the fact that the interests of the investors are not fully protected unless the information they receive concerning the company's affairs is both lucid and accurate. Already there is general effort toward greater industrial harmony through the industrial and customer ownership movements. The effort of tomorrow must go toward giving all the public an individual interest in supporting the general social order. The increasing economic surplus must be so widely distributed that all society shall be interested in preserving our present social order.

"It is evident that the stock exchange is destined to become increasingly important as a public investment exchange. The recent activities of the New York Stock Exchange in developing machinery to aid in the detection of stock swindling, constitute a recognition of the responsibility of the directors to the general investing public; but the steady pressure which they are exerting toward wider dissemination of accurate information constitutes a far more important step."

How Banks are Advertising

Special Section of The Bankers Magazine

NOVEMBER 1926

IF YOU USE "IFS" AND "YOUS" BANK ADVERTISING WILL BE READ

BY A. A. SHIELDS

IF you want to know the most effective words for beginning a bank advertisement—either the headline or the opening paragraph—here they are:

"If you—"

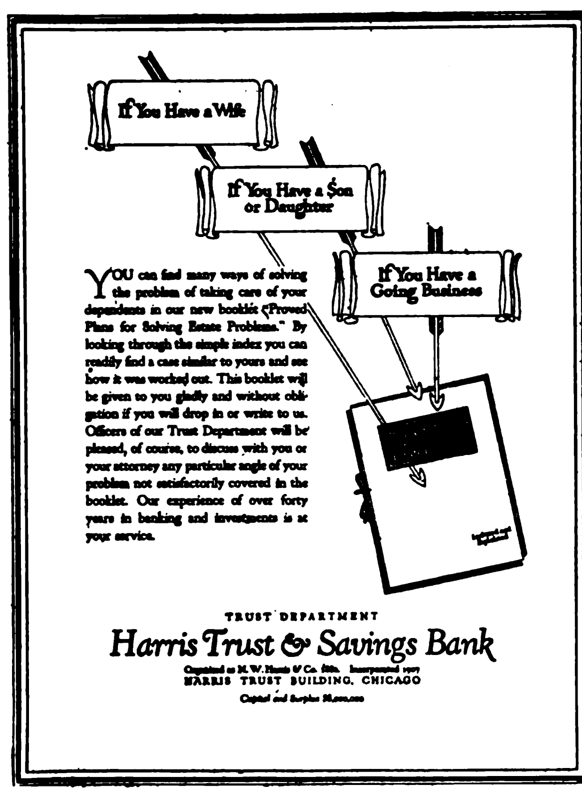
There are two words that are sure-fire attention-getters. They interest everybody. They make the subject of the advertisement the person of most importance—the reader or the listener.

"Everyone," Harvey Duell told a class at the Medill School of Journalism, in Chicago, "finds his greatest interest in himself. All interest centers in self and radiates out. Self is the crux of the news business and the crux of all social existence. Nothing is important to any one unless he is affected, indirectly at least."

"You" and "your" have long been acknowledged as powerful words to use in a headline and in advertising copy. They are being used in the car-card campaign against crime being waged in New York and Chicago. Attention is attracted by such headings as "You Can't Win!" These are followed by short messages like: "The cleverest stick-up in New York history is now old and broken with twenty years *yet* to serve in Sing Sing."

These messages are "driven home" as the editor of *Collier's* puts it, "by the use of the word 'you' in the heading. Some of our best schools of advertising hold that a 'you' always wins the reader at the start. It makes the message more personal and establishes at once a 'receptive mood.'"

But if you add to "you" the little word "if" you get the readers to be something



Making the bank advertisement a personal matter. Note the predominance of the word "you" in headline and copy.

more than receptive. They must consider the possibility of some action taking place in which they will have a part.

Therefore, when the Harris Trust and Savings Bank of Chicago starts a heading with three panels "If You Have a Wife," "If You Have a Son or Daughter" and "If You Have a Going Business" the advertisement becomes a personal matter to nearly everybody who sees it. Most of them have one or the other and they want to find out what the "if" is going to be.

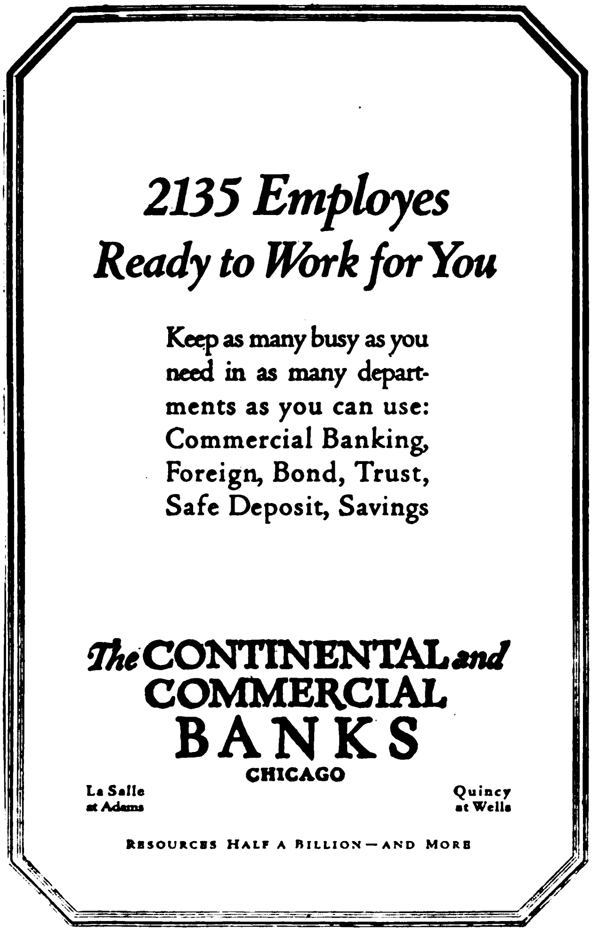
The same idea is used uniquely by the Bankers Trust Company of New York City. "Turn Here If" says the headline and then at the right of the advertisement is a series of things that just about cover the entire range of human interests—wife, son, daughter, about to marry, have just become a parent, earn much and save little, your estate will be chiefly life insurance, etc.

In this particular advertisement "You have a wife" is ringed as with a heavy black pencil. This ring runs from the real main headline which itself seems to have been written with a heavy black pencil and also is ringed. It reads "If you have a wife you face this problem" and then the advertisement goes on to tell what the trust department of the bank can do in such a case.

These two all-powerful words are not used as frequently in bank and trust company advertising as they could be with profit.

Even the "you" and "your" is all too often forgotten in the heading and text because the bank looks at the matter from its own viewpoint, which is the wrong side of the fence. That word "we" begins a surprising number of bank advertisements. And that's the wrong way to approach the prospect.

"Advertising would be more effective," said John Benson before the American Association of Advertising Agencies, at Houston, Tex., "if every advertisement would look through the reader's eyes and have his interests at heart. It should never mislead. It should never disappoint with bold intriguing headlines and no



A good attention-getting headline well supported by the copy.

substance to follow. It should be interesting and informative, sincere and specific."

Right there is where so many bank advertisements fall down; they are not informative and specific.

Talk about things of daily life like the Harris and Bankers Trust concerns did and start them with the "you" element—from the prospect's viewpoint — and bank advertising will bring more results.

"Borrowing themes from the average day of the average person," said A. L. Townsend, in *Printers' Ink*, "means speaking to the greatest number of persons in the language they understand and will appreciate, particularly if there is a note of sympathetic friendliness in problems which are common to all.

"*Reflecting the lives of the prospects is one of the real secrets of advertising copy.*

"We are interested in *ourselves*—our own problems and difficulties. The advertiser who comes nearest to echoing these homely affairs of existence is certain to win an appreciative hearing.

"Yes, I have experienced that, myself, is the most satisfactory remark a reader can voice after reading an advertisement. Then you surely have won his sympathy and interest."

"YOU NEVER DID"

You never heard a man say he regretted having a savings account.
You never walked a mile without taking the first step, nor heard of a man building a savings account by waiting for a more convenient time to begin.
You never heard of a more sure or secure way to accumulate a reserve fund to meet the needs, the reverses, the opportunities future years may bring you than through a savings account with us, where every dollar you save earns 4 percent interest.

EXCHANGE NATIONAL BANK

Savings copy approached from the "you" standpoint.

Yes, that's human nature. It's almost the same thing that Mr. Duell added for the benefit of the journalistic students in Chicago. He explained that nothing so appealed to a reader as a news story of which he could say," "That happened to me," or "I know a case just like that."

The "if" and the "you" element at the beginning of a bank advertisement makes readers consider something "just like that" happening to them.

FOUR WEEK CAMPAIGN OF EMPLOYES BRINGS BANK $275,000

MORE than $35,000 in new deposits and an increase in old business of $240,000 is the gratifying result of an unusual four weeks' campaign and contest of employes held recently by the First National Bank of Bradentown, Fla., a bank with capital of $120,000 and a surplus of $80,000.

The contest struck a popular note in its name, "First National Bank's Across-the-Continent-Race," and was taken part in by all the employes of the bank. It was worked out as follows:

In the lobby of the bank a map of the United States was placed on a large glass-covered table. On this map were placed miniature automobiles, one for each con-

Illustration, headline and copy are well balanced in this advertisement of a special type of savings account.

testant and each one representing some well known make of automobile, chosen by the contestant. Large headlines across the top of the map read, "Choose a Driver and Ride With Him to the End of the Contest." For every old account increased to a weekly balance of $50 or over, the driver and car were advanced fifty miles; for every new account secured amounting to $100 or more, 100 miles were gained; for every account secured with a weekly average balance of $1000, whether entirely new or increased, the premium was 500 miles.

A score board at the bottom of the map showed the daily progress of each participant and the cars were advanced with each 100 mile gain.

The contest lasted four weeks and the goal was set for 3500 miles, the distance across the continent, though the winner traveled 4000 miles, being well out in the Pacific at the close of the campaign.

In order to augment the public's interest in the contest and to facilitate the solicitations of the employes, which had to be made outside of banking hours, a newspaper advertising campaign was run in connection with the contest. The various advertisements varied from three columns by seven inches to three columns running the entire length of the page. Especially prepared copy was used throughout the four weeks, with the names of the leading contestants featured from day to day. At the close of the campaign the winners were announced and photographs of all of the contestants were used in the display.

The two winners were presented with suitable prizes in gold and other contestants will be awarded a portion of the earnings on the increased business at the end of the season.

Since the newspaper advertising was part of the year's advertising budget, the contest cost only the small amount necessary for the arrangement of the table, cars, posters, etc.

The rules of the contest follow:

1. In this contest we are covering approximately 3500 miles of territory.

2. Each contestant will name his or her car. Some cars, of course, are capable of making a greater mileage in a day than others.

3. For every old account increased to a weekly bal-

ance of $50 or over, fifty miles w'll be credited to the car and driver.

4. For every account secured amounting to $100 or over, the driver and his car will be advanced 100 miles.

5. For every account secured that carries a weekly average balance of $1000 (either by increased deposits or entirely new) the car and driver will be advanced 500 miles.

6. Each driver is urged to invite as many guests to ride with him or her as possible, meaning that each guest will do his utmost to help bring in new business.

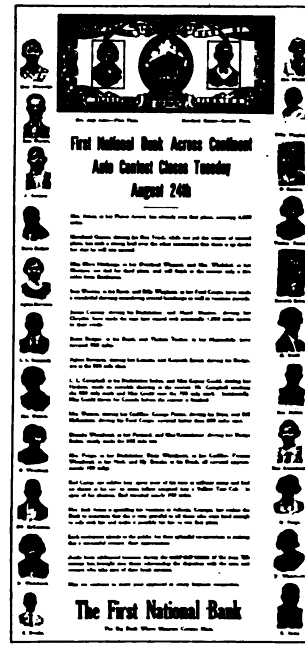
7. The rules of this contest will be carried out entirely on an honor system, namely: Each employe must know for certain that he or she is responsible for bringing in certain new business, or increasing certain old business, and should report to ...., who will keep a special sheet to correspond with the tally on the public score card.

8. Once a week the auditor will check the accounts so that there will be no question or misunderstanding as to proper counts given. The results of each day's race will be published daily with the two leading drivers' pictures.

9. Every contestant will be rewarded for his efforts in the contest at such time as the board of directors shall decide. The two leading contestants will be presented with some suitable gift in addition to the regular recognition made in general.

10. Tell your friends and relatives about your trip across the continent and invite them to ride with you. Enter into this contest with the idea of winning and then watch the results.

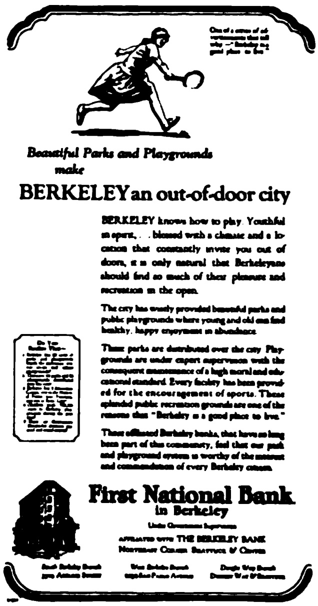
11. Remember you are placed on your honor to make your reports daily so that you may get credit for every item for which you are responsible.

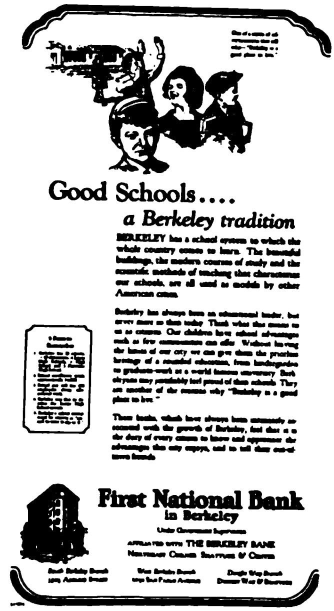


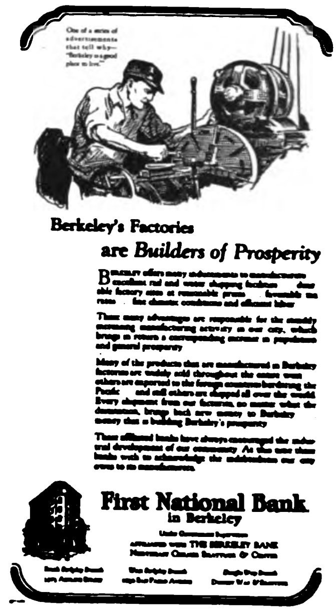
An advertisement run by a Florida bank during an employes' new business campaign described in the accompanying columns.

12. Wrecked: Any ac-

Three of a series of very effective human interest advertisements run in behalf of the savings departments of a Cleveland bank's neighborhood branches.







A group of advertisements of a California bank constituting part of a series on the advantages which the bank's community offers.

count opened during the contest and closed before the end of the contest, will be considered wrecked and the car and driver will forfeit 200 miles.

HOW BANKS ARE ADVERTISING

A SERIES of folders, well gotten up and illustrated, has been issued by the Fidelity Union Trust Company of Newark, N. J., in the interests of its savings department. Each is addressed to one particular class and urges the opening of a savings account, the increase of one already begun, and the discussion with the bank of financial problems. In order to check up on results of the folders, customers are asked to bring them to the bank when they come to open, or increase, their accounts. The bank has also issued a booklet, "Points to Cover in Your Will," an outgrowth of the institution's forty years' estate experience. Life insurance proceeds, general estate and authorities to executor and trustee make up the three parts into which the booklet is divided.

"WHAT Everyone Should Know About Banking" is the title of a booklet issued by the Cleveland Trust Company of Cleveland, Ohio, which tells concisely how the customer should conduct his relations with the bank and, at the same time, shows the numerous ways in which the Cleveland Trust serves its customers. The principal bank forms are illustrated and their uses explained. The commercial account, the savings account, loans and other bank forms are considered in detail.

MORRIS F. FOX & CO., investment bankers of Milwaukee, Wis., have issued a folder called "The Waning of 6%," which explains the lower rates of interest paid in investment securities. A list of their autumn offerings, recommended for investment, occupies one page. The folder is attractive and readable.

"THIS Bank as an Executor," number five of a series of folders on trust service, and "32 Questions and Answers About a Good Bank," a readable and well presented booklet, are among recent publications of the trust department of the Woodlawn Trust and Savings Bank of Chicago. Both these pieces of publicity were prepared by Theodore Jessup, trust officer of the bank.

A RECENT advertisement on budgeting published by the Bowery Savings Bank of New York, under the heading "System vs. Guesswork" reads as follows:

"Have you given thought to a practical plan for budgeting your income?

"Many people think of a budget as a complicated system of bookkeeping. It need not be that at all.

"A budget is a simple plan for estimating in advance how you are going to use your money.

"It's system—against guess work.

"We don't do other important things by guesswork. Why should we guess with our money?

"Any one who will take the trouble to work out a simple, practical plan for using every dollar he earns, and follow his plan systematically, will increase substantially the value of his income. Is that worthwhile to you?

"Come in and talk it over. Let's see what can be done toward increasing the purchasing power of your income."

BOSTON in the eighteen fifties is the subject of an interesting and beautifully gotten up book published by the Boston Five Cents Savings Bank in observance of the seventy-second anniversary of its founding. "Five cents, in 1854, was an important sum of money." Thus begins this booklet which relates an intimate history of Boston seventy-five years ago and its growth, along with the organization and growth of the Five Cents Savings Bank. Quaint prints of Boston in these early days, early documents of the bank and photographs of the past and present officers of the institution illustrate the volume and add to its interest.

CHATHAM Phenix National Bank and Trust Company, of New York City, has pub-

Driving home a point in favor of corporate trusteeship in few words.

Well-planned human interest savings copy in the story form.

lished a folder, "The Safe Way," in advertisement of its safe deposit boxes. The folder features a man with a moving arm, which transfers securities from a bag to their proper place in the safe deposit box whenever the folder is opened. A folder with the same idea of movement has been issued by the Commercial National Bank of Madison, Wis., bearing an illustration of a vault door and the words, "Try to Get In" on the cover. The deposit box is pulled out of its place in the wall at the opening of the folder. Both pieces of advertising are unusual and effective.

THE idea of saving by mail as a convenience to the customer is the subject for a folder issued by the Minnesota Loan and Trust Company, of Minneapolis, Minn. A detachable deposit slip, which may be sent in with the deposit, is both a convenience to the customer and an excellent method of checking up results on this piece of advertising. The cover, bearing an illustration of a smiling postman and the words, "The Postman Can Be a Messenger of Thrift," stimulates interest. A return envelope accompanies the folder.

THE Indian Head National Bank, of Nashua, N. H., has published a very attractive booklet in observance of its seventy-fifth anniversary. The booklet contains an outline of the activity of the bank during its years of existence, together with the history of the community with which it has grown. Illustrations of the early life of the town and the bank, its various homes as compared with its present one, and photographs of the former and present officers, make the publication most interesting.

A SERIES of color reprints of advertisements run by the trust department of the Cedar Rapids Savings Bank and Trust Company of Cedar Rapids, Iowa, is being distributed through direct mail. The series deals with the subject of wills, and is the work of C. E. Auracher, assistant cashier of the bank.

"Too High a Price to Pay," the Corn Exchange Bank of New York entitles a brief folder explaining the opportunities which are lost by those who do not save money. An artistic and colorful cover page adds to its attractiveness.

A WELL gotten up booklet

Emphasizing, in illustration and headline, location and services offered.

called "Cleveland's Purse" has been published by the Central National Bank of Cleveland, Ohio, in co-operation with the *Cleveland Plain Dealer*. Financial circumstances, opportunities and the standard of living among the families of Cleveland are presented by easily read charts, each of which is briefly explained. The booklet is printed in two colors and is most effective.

THE Hibernia Bank and Trust Company, of New Orleans, has reprinted from *Printers' Ink*, in booklet form, an article by Fred W. Ellsworth, vice-president of the institution, on "How New Orleans Banks Have Curbed Irregular Mediums." The article presents, in clever and humorous fashion, the numerous valueless sorts of mediums in which many banks feel obliged to advertise, and the way in which New Orleans banks have combined to check them. The money spent in this way is being used in co-operative newspaper advertising. The book should be of value to all banks which are annoyed with polite—and not so polite—advertising hi-jackers.

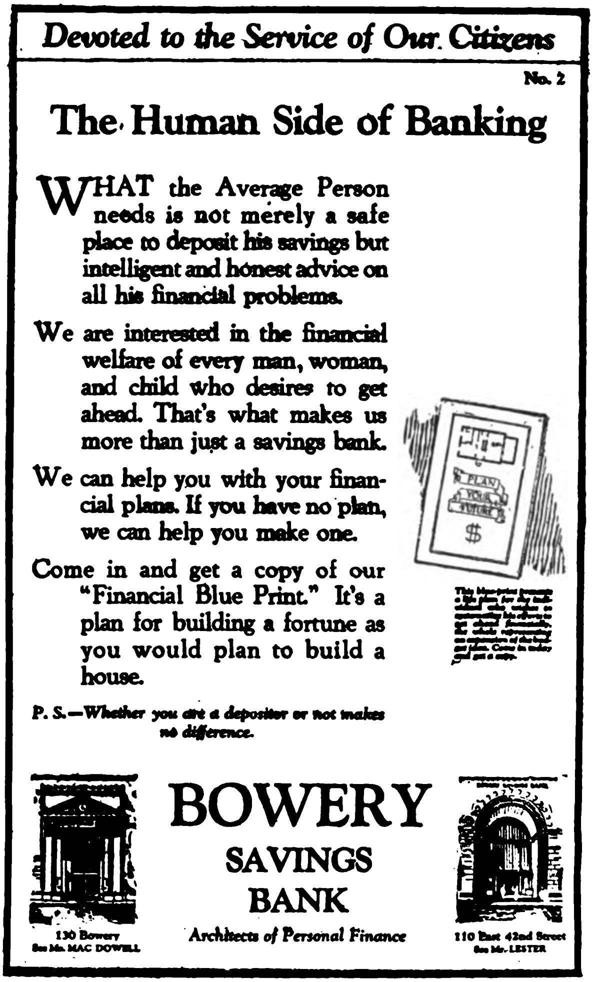
INSTALMENT selling, which is receiving considerable attention from business men and financiers at the present time, is the subject of an address delivered by J. C. Lipman, vice-president Union

WHO'S WHO IN BANK ADVERTISING

RAYMOND STANLEY

Advertising Manager Old Colony Trust Company and Old Colony Corporation, of Boston, Mass.

MR. STANLEY entered the service of the Old Colony Trust Company of Boston as a salesman in the bond department immediately following the close of the war. He remained in this capacity for three years and during this time became active in the advertising and direct-by-mail work of the bond department. Mr. Stanley finally gave all his time to the department's publicity work and was made general advertising manager for the bank. When the bond department became the Old Colony Corporation, Mr. Stanley became advertising manager of both the bank and the corporation. He was graduated from Harvard in 1917 and served during the war in the aviation forces.



Offering aid to the depositor in the solution of his financial problems.

Bank and Trust Company, of Los Angeles, before the Retail Credit Men's National Association, and reprinted in booklet form by the bank. The address presents a bank's viewpoint on instalment selling, as it affects the merchant's credit and the thrift of the public.

A SPECIAL savings campaign launched by the Guardian Trust Company of New Jersey, Newark, N. J., is being augmented by the distribution of a simplified budget which will aid individuals in planning their weekly expenditures and assist them in solving the problems which must be overcome to gain financial independence. Educational window displays, telling in graphic form the story of the rise to success through systematic saving, are a part of the campaign as is the change in the bank's business hours. It will be open from 6 to 9 p. m. on Monday evenings for the convenience of savings depositors who are unable to make their deposits during the day.

THREE of a series of attractive and readable booklets published by the Investment Bankers Association of America consider three different phases of investment banking, as seen by the educational department of the association. They are called, respectively, "The Common Sense of Sound Investing," "The Investment Account of the Smaller Community's Bank," and "The Investor and the Investment Banking Business."

"THE Trustee" is the title of a house-organ issued by the Union Trust group of Detroit, comprising the Union Trust Company, Union Title and Guaranty Company, Union Company of Detroit, Union Joint Stock Land Bank and Union Savings Bank. Personal news of each department is published in addition to several well-written articles for the institutions in general. There are special departments for the sporting news of the companies and for reviews of new books. "The Trustee" is well edited and readable.

BANKERS AND BUSINESS MEN WANT LOWER TARIFF

AN appeal for the removal of tariff restrictions, which they say now hamper trade seriously, has been made by prominent bankers and business men of the United States and Europe. The names include those of directors, chairmen and governors of many of the largest European banks, and a number of well known American bankers.

Countries represented are Austria, Belgium, Czechoslovakia, Denmark, France, Germany, Great Britain, Holland, Hungary, Italy, Norway, Poland, Roumania, Sweden and Switzerland.

The document, which is entitled "A Plea for the Removal of Restrictions upon European Trade," reads as follows:

We desire, as business men, to draw attention to certain grave and disquieting conditions which, in our judgment, are retarding the return to prosperity.

It is difficult to view without dismay the extent to which tariff barriers, special licenses and prohibitions since the war have been allowed to interfere with international trade and to prevent it from flowing in its natural channels. At no period in recent history has freedom from such restrictions been more needed to enable traders to adapt themselves to new and difficult conditions. And at no period have impediments to trading been more perilously multiplied without a true appreciation of the economic consequences involved.

The break-up of great political units in Europe dealt a heavy blow to international trade. Across large areas, in which the inhabitants had been allowed to exchange their products freely, a number of new frontiers were erected and jealously guarded by customs barriers. Old markets disappeared. Racial animosities were permitted to divide communities whose interests were inseparably connected. The situation is not unlike that which would be created if a confederation of states were to dissolve the ties which bind them, and to proceed to penalize and hamper, instead of encouraging, each other's trade. Few will doubt that under such conditions the prosperity of such a country would rapidly decline.

To mark and defend these new frontiers in Europe, licenses, tariffs and prohibitions were imposed, with results which experience shows already to have been unfortunate for all concerned. One state lost its supplies of cheap food, another its supplies of cheap manufactures. Industries suffered for want of coal, factories for want of raw materials. Behind the customs barriers new local industries were started, with no real economic foundation, which could only be kept alive in the face of competition by raising the barriers higher still. Railway rates, dictated by political considerations, have made transit and freights difficult and costly. Prices have risen, artificial dearness has been created. Production as a whole has been diminished. Credit has contracted and currencies have depreciated. Too many states, in pursuit of false ideals of national interest, have imperiled their own welfare and lost sight of the common interests of the world, by basing their commercial relations on the economic folly which treats all trading as a form of war.

There can be no recovery in Europe till politicians in all territories, old and new, realize that trade is not war but a process of exchange, that in time of peace our neighbors are our customers, and that their prosperity is a condition of our own well-being.) If we check their dealings, their power to pay their debts diminishes, and their power to purchase our goods is reduced. Restricted imports involve restricted exports, and no nation can afford to lose its export trade. Dependent as we all are upon imports and exports, and upon the processes of international exchange, we cannot view without grave concern a policy which means the impoverishment of Europe.

Happily there are signs that opinion in all countries is awakening at last to the dangers ahead. The League of Nations and the International Chamber of Commerce have been laboring to reduce to a minimum all formalities, prohibitions and restrictions, to remove inequalities of treatment in other matters than tariffs, to facilitate the transport of passengers and goods. In some countries powerful voices are pleading for the suspension of tariffs altogether. Others have suggested the conclusion for long periods of commercial agreements embodying in every case the most-favored-nation clause. Some states have recognized in recent treaties the necessity of freeing trade from the restrictions which depress it. And experience is slowly teaching others that the breaking-down of the economic barriers between them may prove the surest remedy for the stagnation which exists. On the valuable political results which might flow from such a policy, from the substitution of good-will for ill-will, of co-operation for exclusiveness, we will not dwell. But we wish to place on record our conviction that the establishment of economic freedom is the best hope of restoring the commerce and the credit of the world.

WHAT BANKS AND BANKERS ARE DOING

NORMAN B. MEYER, for the last several years managing director of the Bankers Extension Institute and production manager of the Thrift Syndicate Company, Chicago, has been elected president of the Meylen Company, a newly organized business concern specializing in financial advertising. The company is concentrating particularly on the production of photographic studies designed for display in bank windows and lobbies.

GEORGE D. SEARS of Buffalo, secretary of the Buffalo Savings Bank, was re-elected president of the Savings Bank Association of New York State at the annual convention held at Lake Placid recently. Other officers include Charles H. Coonrod, Jr., of Cohoes, first vice-president; Lewis B. Gawtry of New York, second vice-president; Charles Froeb of Brooklyn, third vice-president; Wendell J. Curtis of Rochester, fourth vice-president; Benjamin L. Webb of Cortland, fifth vice-president; William M. Campbell of New York, treasurer; Paul W. Albright of New York, secretary; Miss Margaret Doerschuk of New York, assistant secretary.

Speakers at the convention included Orrin C. Lester and Robert Louis Hoguet of New York, Edward A. Richards of Brooklyn and Roy C. Vanderberch of Utica.

ARCHIBALD F. MAXWELL, formerly president of the Central National Bank of New York, has been appointed a vice-president of the Guaranty Trust Company of New York, according to announcement made by W. C. Potter, president of the Guaranty Company. Mr. Maxwell was at one time a second vice-president of the National Bank of Commerce.

Mr. Maxwell entered the banking field as credit manager of the Mellon National Bank, Pittsburgh. He was later assistant treasurer of the Pittsburgh Gage and Supply Company, and came to New York in 1913 as manager of the credit department of the National Bank of Commerce. He was made an assistant cashier in 1915 and later, as second vice-president, had charge of the bank's business in the New England states and in New York. When the Central National Bank was organized in

ARCHIBALD F. MAXWELL
Vice-president Guaranty Trust Company of New York.

January, 1926, Mr. Maxwell became its first president. He has resigned this position to become associated with the Guaranty.

The new officer has been active in credit circles for many years. He was vice-president and a director of the Pittsburgh Credit Men's Association and for several years was vice-president and a director of the New York Credit Men's Association. In 1917 he was president of the New York chapter, American Institute of Banking, and for a number of years he conducted a class in credits

Established Over Half Century

1865 1926

Persian
Lamb Coat
with
Pointed
Fox

Sable
Coat

C. C. SHAYNE & CO.

Importers and Manufacturers of

STRICTLY RELIABLE FURS

126 WEST 42nd STREET NEW YORK

under the direction of Columbia University.

Mr. Maxwell is a native of Davenport, Iowa, and a graduate of Cornell College. He is a charter member of the Bankers Club of America, a member of the board of governors of the Pelham Country Club and a member of the Larchmont Shore Club.

JAMES RATTRAY, vice-president of the new Guardian Trust Company of New Jersey, Newark, N. J., and president of the Guardian Securities Company of Newark, has been elected a member of the board of governors of the largest chapter in the state of the American Institute of Banking, that of the Essex County Chapter, Inc.

Mr. Rattray has been associated with the American Institute of Banking for more than eighteen years, originally with the Buffalo chapter, where he filled the offices of president, vice-president, secretary, and for several years was a member of the executive committee. He was an instructor in banking and finance from 1912 until coming to New York in 1917. He put the chapter finances on a sound basis, with a budget system, whereby the banks contributed regularly for chapter purposes.

In 1916 he was elected to the executive committee of the national organization, and served for a period of three years. During that time he addressed many of the chapters in the Eastern district. In Buffalo Mr. Rattray served as chairman of a thrift campaign which was conducted for about a year under the auspices of the American Bankers Association.

During 1918-19, Mr. Rattray was chairman of a chapter survey committee of the national organization, which made a complete survey of the activities of all the chapters for the purpose of securing proper co-ordination and best possible results from educational efforts. In 1917 he became connected with the New York Chapter of the American Institute of Banking. In that year he became instructor in "Bank Organization and Administration" and continued as such for several years. He also acted as instructor in income tax procedure. Mr. Rattray was elected to the board of governors of the New York chapter in 1918, and continued as such until compelled to resign in 1922 on account of business activities. He continued as a sustaining member of the New York Chapter until going to Newark in March, 1926.

ANOTHER BIG NEW YORK MERGER

THE third largest financial institution in New York City, as regards its total resources will be created by the merger of the American Exchange-Pacific National Bank and the Irving Bank and Trust Company, agreement for which was reached recently. The new institution will be exceeded in size only by the National City Bank, with resources of $1,251,494,453 and the Chase National Bank, with resources of $931,650,714. The new bank will have resources of more than $735,000,000.

Under the terms of the merger the capital stock of the Irving will be increased by 100,000 shares, to be issued to the stockholders of the American Exchange who will receive $70 cash and one and one-third shares of Irving stock in proportion to each share of American Exchange stock now held. The capitalization of the consolidated company will be $32,000,000 and its combined capital, surplus and undivided profits $58,000,000.

Lewis E. Pierson, chairman of the Irving Bank and Trust Company, will be chairman of the new institution, and Harry E. Ward, president of the Irving Bank, will be president. Lewis L. Clarke, president of the American Exchange, will become chairman of the executive committee. Walter E. Bennett, Theodore H. Banks and O. H. Cheney, vice-presidents of the American Exchange, will be vice-presidents of the new bank. The board of directors has not yet been announced, but the entire personnel of both banks will be on the staff of the new company, it is said.

The president, who has been associated with the Irving Bank for the last twenty-five years, was recently honored at a dinner held in the ballroom of the Park

© MURAY STUDIOS

LEWIS L. CLARKE
President the American Exchange-Pacific National Bank, New York.

Lane attended by 200 persons, including members of the board of directors, officers of the company and members of advisory boards of the Irving bank offices throughout New York.

In a statement issued following the meeting of the boards Chairman Pierson said:

"This merger will bring together two institutions which have long been prominently identified with the banking activities of New York. While noteworthy from the standpoint of size, the chief importance of the merger will be placing at the service of customers an augmented banking power and facilities for world trade, together with complete personal and corporate trust, as well as securities service. The commercial banking methods developed by both institutions will go unchanged and the intimacy of personal relationship with customers will not be disturbed."

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HARRY E. WARD

President Irving Bank and Trust Company, New York.

The consolidation is the largest among financial institutions since the merger early this year of the Chase and Mechanics and Metals National Banks, which produced a bank with resources of approximately a billion dollars. It comes in a year in which the tendency toward mergers of large banks has been pronounced. Other consolidations announced since the first of the year include the National City's absorption of the People's Trust Company of Brooklyn, the Bank of the Manhattan Company's acquisition of several institutions in the Bronx and Brooklyn, and combinations of several banks catering chiefly to the mid-town business section of Manhattan.

The Irving Bank-Columbia Trust Company this summer acquired the National Butchers and Drovers' Bank in its program of expansion and it was soon after that transaction that its name was shortened to the Irving Bank and Trust Company.

The Irving was founded in 1851 and before the last merger had seventeen offices in New York, the central executive headquarters being in the Woolworth Building.

The American Exchange Bank was founded in 1838 and last year was merged with the Pacific Bank. Its main office is at 128 Broadway and it has six branches, its chief uptown business being centered in its office at Forty-second street and Park avenue. Its other branches are at Broadway and Grand street, Forty-ninth street and Seventh avenue, Twenty-eighth street and Madison avenue, Fifty-ninth street and Park avenue and Hudson street at North Moore street.

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LEWIS E. PIERSON

Chairman of the board Irving Bank and Trust Company, New York.

The Irving Bank and Trust Company, in its statement of condition on September 30, reported total resources of

$458,378,317, deposits of $351,805,498, capital stock of $18,500,000 and surplus and undivided profits of $15,882,792. The American Exchange-Pacific National Bank on June 30 reported total resources of $277,504,837, deposits of $222,916,264, capital stock of $7,500,000, surplus fund of $8,500,000 and undivided profits of $4,595,528.

BANK OF ITALY INCREASES DIVIDEND RATE

THE board of directors of the Bank of Italy has authorized an increase in the annual dividend rate to $18 per share, which represents an additional $2 per share over the present dividend and is the second increase made during the last year. The new rate became effective with the dividend payment of October 1.

The dividend payments of the bank have increased from $5 per share to the present rate, since its organization in 1904.

The board has also announced the issuance of 50,000 shares of stock to complete the capitalization previously authorized. The new stock will be sold at $450 per share and will give the institution, with its affiliation, the Stockholders Auxiliary Corporation, a combined capital and surplus of $75,000,000. Each stockholder has the right to subscribe for one share of the new stock for each four shares now owned.

STEELCRETE COMPANY IN NEW PLANT

THE Consolidated Expanded Metal Companies, formerly located at Braddock, Pa., have moved to their newly built plant at Beach Bottom, W. Va. Their new plant will be devoted to the manufacture of metal lath, Steelcrete concrete reinforcement, Steelcrete armor mat for bank vault protection, road mesh and mesh for machine guards. The new offices of the companies are in the Steelcrete building in Wheeling, W. Va.

BOSTON BANK IN NEW BUILDING

AFTER seventy-two years of regular growth, the Boston Five Cents Savings

Bank has opened its new home at 30 School street, Boston. Formal opening was on August 30, when the visitors inspected the new building which affords every means of continuing and expanding the service of the bank to the community.

NEW YORK CLEARING HOUSE COUPON CLEARING SYSTEM

An idea worked out twenty-three years ago by Leopold Frederick, then a young bank clerk, was adopted recently by the New York Clearing House when it inaugurated its coupon clearing system.

The young bank clerk, with M. F. Bauer and W. F. Linson, then students at the banking institute, were appointed a committee to prepare suggestions looking to the establishment of a clearing house for coupons. Mr. Frederick, then employed by the National City Bank, has since been manager of the foreign department of the National Bank of Commerce in New York and director and treasurer of the American Smelting & Refining Co., Braden Copper Co., and numerous other corporations. Mr. Bauer is now an officer of the Chatham Phenix National Bank and Trust Company of New York.

The report prepared by them had lain on the shelf of the clearing house committee for twenty-three years when it was revived by Charles E. Mitchell, chairman of the committee and president of the National City Bank, where Mr. Frederick was employed twenty-three years ago.

DAYTON, OHIO, BANK OPENING

The new banking room of the Dayton Savings and Trust Company, Dayton, Ohio, was formally opened on October 2, from 6 to 10 o'clock p. m. The public was invited to inspect the modern equipment and facilities provided for the service and convenience of the bank's patrons on this occasion.

INTERNATIONAL MEETING OF SAVINGS BANKERS

SAVINGS bankers from all over the world met last month in Philadelphia in the first international gathering of savings bankers ever held in the United States. Delegates from thirty nations were present to discuss problems of savings banking and to lay plans for greater service to the public. The meeting was a joint one of the National Association of Mutual Savings Banks of the United States with the permanent committee of the International Thrift Institute of Milan, Italy.

S. E. Marquis Avv. Giuseppe De Capitani D'Arzago

President the International Thrift Institute and the Casse di Risparmio della Provincie Lombarde, Milan, Italy.

The meeting was presided over by Judge Edward A. Richards, head of the East New York Savings Bank, Brooklyn, and head of the National Association of Mutual Savings Banks. He emphasized the close tie between the home and the savings bank and suggested that American savings banks, at least, could be of much greater service if they were permitted to broaden their investments and enter more actively into the lives of their depositors.

Among the chief speakers at the meeting were J. Spencer Portal, J. P., president Trustee Savings Banks Association of Great Britain and Ireland, who responded to the addresses of welcome; S. E. Marquis Avv. Giuseppe de Capitani D'Arzago, president International Thrift Institute, Milan, Italy, who spoke on "The Spirit of the Cassa di Risparmio delle Provincie Lombarde and the World Union of Savings Banks;" Samuel H. Beach, president Rome Savings Bank, Rome, N. Y., and Thomas Henderson, J. P., actuary Glasgow Saving Bank, Glasgow, Scotland, who spoke, respectively, on how thrift is promoted in America and abroad; Alexander Cooch, assistant general manager State

Spencer J. Portal

Trustee Savings Banks Association of Great Britain and Ireland.

Savings Bank of Victoria, Melbourne, Australia; Raymond R. Frazier, president Washington Mutual Savings Bank, Seattle, Wash., whose subject was "The Actual Result of Thrift to the Nation;" and Professor Ravizza, director International Thrift Institute, Milan, Italy.

Senator Harry P. Gifford, treasurer

SENATOR HARRY P. GIFFORD

Treasurer Salem Five Cents Savings Bank, Salem, Mass., and new president the National Association of Mutual Savings Banks.

the Salem Five Cents Savings Bank, Salem, Mass., was elected head of the National Association of Mutual Savings Banks for the coming year; Austin McLanahan, Baltimore, was chosen vice-president; Milton W. Harrison, New York, executive vice-president; John H. Dexter, Cleveland, treasurer; and John W. Sandstedt, New York, secretary.

A visit to the sesqui-centennial exposition and other sight-seeing trips about the city were a part of the convention. Sub-conferences were also held, at which various problems of savings banking were discussed.

CONVENTION OF THE WINDOW DISPLAY ASSOCIATION

THE third annual convention of the Window Display Advertising Association was held recently in New York City, at which time a fund of $10,000 was raised from sustaining memberships to hire a paid secretary.

Lee H. Bristol, of Bristol-Myers Co., was elected president; Sol Fisher, of Fisher Display Service, vice-president; and Frederick Wertz, display counselor, secretary and treasurer. A new board of trustees includes Joseph M. Kraus, A. Stein & Co., chairman; A. S. Turner, Jr., General Electric Co.; C. J. Munro, Munro & Hartford Co.; Samuel J. Hanick, Reuben H. Donnelley Corp.; Clement H. Watson, J. Walter Thompson Co.

ENGLISH BANKERS TO HOLD ESSAY CONTEST

THE Institute of Bankers, English equivalent for the American Institute of Banking, has announced the subject for essays to be submitted in a contest which is to be held by the organization. The subject is "A critical and historical account of the working of the American Federal Reserve Banking System."

A first prize of £20 and a second prize of £10 will be awarded for the best essays on this subject. Winners will be announced at the May, 1927, meeting of the Institute, and essays must be sent to the secretary on or before January 1, 1927. Fellows, associates and members of the Institute of Bankers may take part in the contest.

LOS ANGELES BANK MERGER

THE fiftieth unit in the chain of the Security Trust and Savings Banks, of Los Angeles, Calif., was formed by the merger of the Bank of Van Nuys with the Security. The Bank of Van Nuys has become a part of the Security and its stockholders have become stockholders in the other institution.

The Bank of Van Nuys, one of the largest in the San Fernando Valley, was founded in 1921 by W. P. Whitsett, with a capital of $100,000. The bank has grown until its resources at the time of merger were more than $1,250,000.

BROOKLYN BANK HAS UNUSUAL GROWTH

THE fifth anniversary of the founding of the Savings Bank of Ridgewood, Brooklyn, N. Y., shows the unusual growth the bank has experienced in its five years of existence. The bank statement, as of June 12, shows resources of $8,500,000 and depositors numbering 14,975, while on the opening day 519 accounts with deposits totaling $50,386 were opened. The records also show that more than 1200 individuals were loaned more than $5,700,000 on first mortgages. Ninety per cent. of this sum was used for the construction of new dwellings.

Officers and trustees of the institution are Rudolph Stutzmann, president; Herman Ringe, first vice-president; William A. Fluhr, second vice-president; William Witte, treasurer; D. Joseph Pirone, secretary; and A. Paul Gladow, assistant secretary.

INDIANA BANKERS MEET

HUGO C. Rothert, president Huntingburg Bank, Hutingburg, Ind., was elected president of the Indiana Bankers Association at the association's annual convention held recently in Lafayette. Other officers chosen are vice-president, C. O. Holmes, president South Side Trust and Savings Bank, Gary, Ind.; secretary, Miss Forba McDaniel, 310 Odd Fellow Building, Indianapolis, Ind.; treasurer, J. W. Springer, cashier Farmers and Merchants Bank, Elizabethtown, Indiana.

The association opposed, in a resolution passed during the meeting, clemency to bank bandits. This action followed the group's indorsement of a move for a

State Bureau of Criminal Identification and Investigation, the ultimate creation of a state constabulary and the extension and expansion for the time being of the armed vigilante system, all of these being linked in the bankers' crusade to stamp out bank banditry in Indiana.

The association closed its meeting with a plea for the stabilization of agriculture "through any means consistent with economic principles."

HARTFORD BANKS MERGE

MERGER of the Phoenix National Bank with the State Bank & Trust Company, both of Hartford, Conn., has created for Hartford a consolidated institution with a capital of $1,600,000. The new bank is called the Phoenix State Bank & Trust Company.

Stockholders of the State Bank & Trust Company exchanged one share of their holdings for one and one-half shares in the new bank and received in addition $90 in cash. Stockholders in the Phoenix exchanged their stock share for share.

The official staff of the new bank is as follows:

Chairman of the board, George H. Burt; president, Leon P. Broadhurst; vice-presidents, Arthur D. Johnson, Charles A. Lillie, Harry H. Walkley and Lewis A. Partridge; vice-president and trust officer, Arthur C. Mason; cashier, O. M. Hibler; assistant cashiers, Frank S. Flagg, Calvin C. Bolles, William J. Reid, Harold E. Read, Harold M. Reed and George Brott; auditor, Freeman A. Linstead.

UNION TRUST CHANGES

SEVERAL changes and additions have been made in the official staff of the Union Trust Company, Chicago, in order to effectively care for its rapidly growing business.

B. L. Trillich, who has been engaged in industrial engineering field work for the bank since July 1, 1925, will become vice-president and comptroller. Mr. Trillich has had much experience in installing budgetary control systems for corporations and business concerns and is an accountant as well as an engineer.

John J. Anton, for many years a member of the bank's official staff and well known to bankers all over the Middle West, has been promoted from cashier to assistant vice-president. Mr. Anton has been connected with the Trust Company since 1906 and has advanced through various positions to his present place. Chester E. Herrod, who becomes cashier, was formerly with the Federal Reserve Bank of Chicago and more recently assistant cashier of the Union Trust.

Two new assistant vice-presidents have been named in J. L. Buchanan and Edward M. Warner. Mr. Buchanan, formerly chief field examiner of the Federal Reserve Banking System, has had commercial banking experience in Missouri and has been with the Federal Reserve for the last nine years.

Mr. Warner has been vice-president of the Cosmopolitan State Bank of Chicago. He began his banking career as a messenger in an Omaha bank and held various banking positions, among which was that of executive vice-president of the Continental State Bank of Lincoln, Nebraska.

NEW YORK INSTITUTE GIVES NEW COURSES

FOUR additional courses are being given this winter by the New York Chapter, Inc., American Institute of Banking, which began its twenty-sixth year of educational work recently. The courses are planned and given in co-operation with Columbia University. The new courses include:

"Railroad Securities," given by Owen Ely, Ph. M., statistician of Dominick & Dominick; "New Business for Banks," given by Bryant W. Griffin, B. A., of the National Newark & Essex Banking Company; "Advanced Savings Bank Accounting," by H. R. Kinsey, comptroller of the Williamsburgh Savings Bank, and "Financial Organization," by George Filipetti, associate professor of business administration at Columbia University.

MORTGAGE BANKERS MEET

IMPROVEMENT of economic conditions for the farmer was urged by T. D. Schumacher of the Southern Bond and Mortgage Company of Richmond, Va., following his election as president of the Mortgage Bankers Association of America, at the annual meeting of the association held in Richmond recently.

Other officers are J. B. Sleeper of Topeka, Kans., vice-president; and George H. Taylor of Chicago, E. B. Mount of Minneapolis and A. A. Zinn of Kansas City as members of the board of governors.

Mr. Schumacher discussed class legislation, which is opposed by the organization, and made special reference to bills providing for the extension of the fields of loans on land by national banks and the bill to provide capital for home building purposes.

Meeting simultaneously with the city group, the farm mortgage bankers heard C. B. Merriam of Topeka, Kans., suggest the creation of a commission, similar to that which resulted in the Federal Reserve System, to make a study of the agricultural situation.

CENTRAL MERCANTILE MERGER IN EFFECT

THE merger of the Central Mercantile Bank of New York and the National American Bank of New York, plans for which were announced in the October

C. STANLEY MITCHELL

President the Central Mercantile Bank of New York, which has recently taken over the National American Bank of the same city.

BANKERS MAGAZINE, went into effect October 13. The new bank, which is called the Central Mercantile Bank of New York, is headed by C. Stanley Mitchell as president and Julian M. Gerard as chairman of the board.

Other officers are Joseph Brown, Michael G. Kletz, Robert Adamson, Frederick G. Sinclair, Louis Stewart, Jr., and H. I. Stevens, vice-presidents; Charles H. Hoffman, cashier; C. P. Cleary and Charles Rinenart, assistant cashiers; and Mandeville Mullally, trust officer.

The statement of the new bank, at the close of business on October 13, reads as follows:

RESOURCES

Cash and due from banks....	$15,125,317.69
United States, New York State and other bonds and Federal Reserve Bank stock	4,969,263.14
Loans and discounts	25,683,944.56
Customers liability a/c acceptances	681,180.07
Loans for a/c customers....	325,000.00
Bank building and safe deposit vaults	502,158.22
Bonds sold under repurchase agreement	1,000,000.00
Other assets	329,453.71
Total resources	$48,616,317.39

LIABILITIES

Capital	$ 2,500,000.00
Surplus and undivided profits	1,956,307.55
Reserve for taxes, interest, etc.	155,127.42
Acceptances executed	708,082.09
Loans for a/c customers	325,000.00
Bills payable	None
Bonds sold under repurchase agreement	1,000,000.00
Deposits	41,971,800.33
Total liabilities	$48,616,317.39

INTERSTATE TRUST OPENS DOORS

DEPOSITS in excess of the $3,000,000 capital of the new institution, which also has a surplus of $900,000, made the opening, October 14, of the new Interstate Trust Company, New York City, attract considerable attention both in Wall Street banking circles and among bankers throughout the country.

The opening of the new institution in the Chamber of Commerce Building, 59 Liberty street, the heart of the financial district, which already held some of the largest banking institutions in the country, was also of note, since the Interstate is the first bank to receive a charter to do business in this district in the last nine years.

Another feature which attracted attention is the size of the initial paid-up capital of the Trust Company. The $3,000,000 capital of the bank establishes a new record in New York City banking history. No trust company or national bank now operating in New York, regardless of the present size of the respective institutions, started business with as large a capital. And so far as is known, only one trust company or bank in the country, the Guardian Trust Company of New Jersey, in Newark, ever started business with an initial capital larger than that paid into the Interstate Trust Company, New York City.

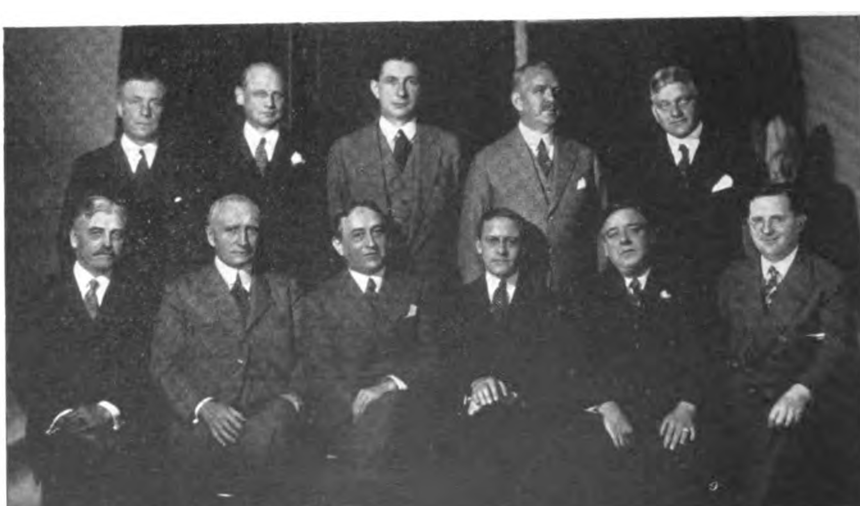
The credit for the splendid showing of the new institution during the opening days of business, according to interests closely identified with the formation of the bank, is due entirely to George S. Silzer, former governor of New Jersey, and president of the bank; Isaac Alpern, vice-president, and their associates both among the official staff and the board of directors. The board of directors includes bankers, business men and corporate executives prominent in both New York and New Jersey.

The Interstate Trust Company, Mr. Silzer said, will not compete for the business held by other banking institutions. Commenting upon the decision to open the new bank in the Wall Street district he said:

"I personally believe and the officers and directors concur in the opinion, that there is a sufficient amount of new business, which is at present unattached from close banking affiliations, to sustain an institution the size of ours. Many new corporations and business enterprises have been organized since the war which could be better served by a new institution with progressive policies. Also there are many individuals whose fortunes have grown considerably since the war who at the present time are without personal banking service.

"The slogan selected for our bank before it officially opened its doors for business is 'direct contact banking' and this will be adhered to without deviation. In other words, personal service is our chief aim and we emphasize the proposal that our customers deal directly with our officers.

"We have started well and we have



Board of directors of the Interstate Trust Company, New York City. From left to right standing: John W Doty, Ralph Wolf, Carleton H. Palmer, John W. Burrows, Eugene P. Thomas; seated: A. C. Fetterolf, E. N. Brown, George S. Silzer, president, DeWitt Millhauser, James A. Kenny and Isaac Alpern.

great ambitions concerning the future growth of our organization, but as our opening day announcement says, we will never grow too large to serve our customers directly, personally and promptly. The officers of the institution are one in the belief that a bank may be busy without being brusque, that it may enjoy high prestige without being austere.

"As our name implies, our activities will not be confined to the limits of the

GEORGE S. SILZER

Former governor of New Jersey and president of the new Interstate Trust Company, of New York.

New York metropolitan district. We will endeavor to gain the good-will of bankers in all sections of the country and will derive great pleasure from cultivating the closest possible relations with out-of-town banks and particularly banks in nearby districts in New York and New Jersey."

In addition to former Governor Silzer the official family of the Interstate Trust Company includes men with wide banking experience, selected for their respective positions because of their past records. The complete list of officers follows:

President, George S. Silzer; vice-presidents, Isaac Alpern and H. M. Stillman; assistant vice-president, John J. Quinn; secretary and trust officer, Paul C. Beardslee; and treasurer, Harry P. Aumack.

The board of directors includes not only bankers, but men prominent in railroad, merchandising, manufacturing, shipping and other important industries. The board of directors as elected up to the present time follows:

E. N. Brown, chairman of the St. Louis & San Francisco Ry. Co. and the Chicago, Rock Island & Pacific Ry.; Eugene P. Thomas, president United States Steel Products Co.; DeWitt Millhauser, Speyer & Co.; A. Curtin Fetterolf, vice-president International Mercantile Marine Co.; John W. Doty, chairman of The Foundation Co.; Samuel J. Bloomingdale, president Bloomingdale Bros., Inc.; James A. Kenny, vice-president Wm. F. Kenny Co.; Carleton H. Palmer, president E. R. Squibb & Sons; George S. Silzer, president Interstate Trust Co.; William V. Griffin, president Brady Security & Realty Corp.; Ralph Wolf, attorney Hays, Hershfield & Wolf; John W. Burrows, president American Woolen Company of New York; and Isaac Alpern, president Perth Amboy Trust Co.

TO WAR ON BANK ROBBERS

GROUP One of the New York State Bankers' Association has announced a

Left to right: Harry P. Aumack, treasurer; H. M. Stillman, vice-president; Isaac Alpern, vice-president; and John J. Quinn, assistant vice-president, of the new Interstate Trust Company, of New York City.

reward of $20,000 for the capture, dead or alive, of any man who robs, or attempts to rob a bank, or a bank's messengers or agents. The fact that more than $115,000 was stolen from banks in Buffalo and the surrounding vicinity during the last year is the reason for the offer of the reward.

LABOR BANK'S ASSETS GROW

THE resources of the Federation Bank & Trust Company, of New York, are more than $20,000,000, according to Peter J. Brady, president. Credit for the bank's success is due to the splendid co-operation and relations that exist between the employers, business men and the unions who entered into friendly competition to see which could do the most for the bank's success, Mr. Brady said.

The bank was started three years ago with a capital and surplus of half a million, and its business advanced so rapidly that last October its capital and surplus were increased to $1,500,000.

NEGRO BANKERS MEET

EDUCATION of the negro population to systematic saving was discussed at the first meeting of the National Negro Bankers Association, held in Philadelphia recently. The subject was taken up in an address by R. S. McKinley, vice-president of the Bank of North America & Trust Company, Philadelphia.

O. Howard Wolfe, cashier of the Philadelphia-Girard National Bank, gave a talk on the absolute need of safety in investments, caution in investigating loan prospects and care in the choice of securities.

Twenty bankers, representing the leading negro banking institutions of the country, attended the convention, and 300 persons, including members of the negro press, were present. Major Richard R. Wright, president of the

Citizens & Southern Bank & Trust Company, of Philadelphia, and president of the association, presided.

TENTH ANNIVERSARY OF EDWIN BIRD WILSON, INC.

EDWIN Bird Wilson, Inc., which specializes in financial advertising, has just celebrated its tenth anniversary, according to the current number of the company's *Messenger,* which contains photographs of the various members of the organization and biographical sketches of their careers.

When the company was organized, September 1, 1916, Mr. Wilson was sole owner of the capital stock. After a few years certain associates were admitted to the stock ownership and the policy thus established has been followed, members of the staff at various times being permitted to acquire an ownership interest in the business.

A recent increase in the capital of the corporation has made it possible to extend this policy to all members of the staff who have been with the company for a certain length of time.

D. M. A. A. MEETING HAS FINANCIAL DEPARTMENTAL

A SPECIAL financial department, at which addresses on financial advertising were given by several well known figures in that field, was a new departure at the annual convention of the Direct Mail Advertising Association, held October 20-22 in Detroit.

At this session, which was presided over by E. E. McCleish, president William Elliott Graves, Inc., of Chicago, John Poole, president the Federal-American National Bank of Washington, D. C., spoke on "The Well Defined Advertising Policy for the Modern Bank;" A. Douglas Oliver, Provident Trust Company of Philadelphia, Philadelphia, Pa., discussed "Tomorrow's Opportunities in Trust Advertising;" and

Paul T. Bollinger, of Harris, Small & Co., Detroit, Mich., considered "Potentialities of Advertising in the Investment Banking Business."

In addition to these financial advertising speakers, men of international repute spoke on almost every topic of interest concerning direct-mail advertising and its application to all lines of business.

Two huge advertising expositions, totaling more than 180 exhibits and including a general Detroit advertising exhibit, were on display. Trophies were awarded for the most noteworthy accomplishment of the year in direct-mail advertising, for the best designed and developed specimen of printed sales literature, for the most distinctive and efficient form letter, and for other similar excellence in direct-mail advertising accomplishment.

The convention included, in addition to the general sessions, departmental sessions at which concrete problems of each phase of direct-mail advertising were considered.

GUARANTY TRUST STATEMENT

THE statement of condition of the Guaranty Trust Company of New York as of September 30, published recently, shows an increase of $3,377,490.10 in the company's surplus and undivided profits during the last year. The Guaranty's deposits have increased more than $36,000,000 since June 30, the date of the last statement. The present statement shows a capital of $25,000,000, a surplus fund of $20,000,000 and undivided profits of $4,606,786.44, deposits of $556,693,381.09 and total resources of $678,062,954.78.

FRANKLIN TRUST TO ISSUE NEW STOCK

THE board of directors of the Franklin Trust Company, Philadelphia, has recently voted to issue the remaining $500,000 of stock authorized at a meeting of the stockholders on July 26, 1923. The present stockholders will be entitled to subscribe to one share of the new stock for every three shares of stock now held, at the price of $300 per share.

There are now 15,000 shares of Franklin Trust Company stock outstanding with par value of $100 per share and the last public sale of Franklin Trust stock was at $451 in December, 1925.

With the proceeds of the sale of the new stock the capital of the Franklin Trust Company will be increased to $2,000,000 and its surplus to $3,750,000, or a total capital and surplus of $5,750,000.

The board also declared a semi-annual dividend of 7 per cent. paid on October 1 to stockholders of record on September 22, 1926, and transferred $250,000 to the surplus account, thus immediately increasing its surplus to $2,750,000.

In making this announcement, C. Addison Harris, Jr., president, stated that the progress of the Franklin Trust Company during the last year has been exceptionally gratifying, its deposits have increased about $5,000,000 and its resources now total $40,000,000.

BANK STARTS CAMPAIGN FOR HARBOR DEVELOPMENT

THE Pacific State Bank, South Bend, Wash., has begun an advertising campaign in the Pacific Coast newspapers to promote the use of Willapa harbor and to exploit the present industrial development attained there. The Martin Advertising Service, Salem, Ore., is directing the campaign.

HAMILTON BANK EMPLOYES ORGANIZE CLUB

EMPLOYES of the Hamilton National Bank, New York, have organized the Hamiltonians, a club to promote both social and temporal welfare of the bank employes. Although only recently organized, projects are already under way for the establishment of pensions for those who grow old in the service of the bank, and plans for the insurance of members have already been perfected.

L. J. Harter is president of the new

club; F. A. Wanner, vice-president; Thomas McCabe, treasurer, and Elsie McKinley, secretary.

CITIZENS & SOUTHERN OPENS COLUMBUS OFFICE

ACCORDING to announcement by its president, William Murphey, the Citizens & Southern Company has opened a new office at 17 Twelfth street, Columbus, Ga. The company, which is an outgrowth of the Citizens & Southern Bank, the largest banking institution between Philadelphia and New Orleans, with resources over $75,000,000, has its principal office in Savannah, Ga., with branches in Atlanta, Macon, Augusta and Charleston, S. C.

The officers of the Citizens & Southern Company are Mills B. Lane, chairman of the board; William Murphey, president; W. Wood, vice-president; A. M. Glover, assistant to the president; T. M. Johnson, secretary and treasurer.

NORTH DAKOTA BANKS DECREASE IN NUMBER

STATE banks and trust companies of North Dakota have decreased both in number and total resources during the last three years, but have increased in deposits, according to a recent report issued by the state banking board of North Dakota.

Comparative figures, given for each year, show 565 state banks and four trust companies in the state on December 31, 1923, as compared with 438 banks and four trust companies on June 29, 1926.

Total resources at the same periods were $108,104,506.59 in 1923 and $88,686,398.13 in 1926. Loans and discounts have decreased from $83,307,307.92 to $59,157,385.85 and capital stock from $9,763,800.00 to $7,935,700.00.

The increase in deposits is from $23,650,272.25 to $26,461,061.08.

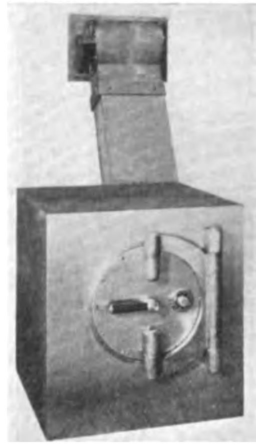
The same report classifies the banks according to amount of capital and shows the largest number of institutions, 161, with a capital of $10,000. One hundred and twenty-two have a capital of $15,000, fifty-four and fifty-nine have a capital, respectively, of $20,000 and $25,000, and six have a capital of $100,000.

SAVINGS BANK ADOPTS GROUP INSURANCE PROGRAM

THE Greenwich Savings Bank, New York, has adopted a group insurance program extending free benefits to all active employes in the bank's service for at least a year.

The arrangement, which is underwritten by the Metropolitan Life Insurance Company, provides protection ranging from $1000 for an employe who has been with the bank for one to two years, up to $3000 for one who has been employed by the company for five years or more.

Rotary Receiving Entrance Ready to Install.



Rotary, Chute and Chest Ready to Install in Building Wall.

Our Night Depository Actually Gives You A Safe 24-Hour Deposit Service

Lowest Insurance Rates—150 in use—can be attached to any electrical protection system. Rotary an actual burglar proof machine. It enhances the appearance of your building.—Patented. Endorsed by prominent architects. Business houses need this service—Can you supply it? Engineers in principal cities.

THE BANK VAULT INSPECTION CO.

Samuel P. Yeo, *President*

No. 1824 Ludlow Street, Philadelphia

Rotary on Front of Building. Bag Being Placed for Deposit.

Burglar Proof Receiving Chest. Open Position.

In addition to the insurance features, a visiting nurse service and the periodical distribution of pamphlets on health subjects are included in the program.

NEW YORK TO HAVE SMALL ACCOUNTS BANK

AN independent national bank which will afford complete banking service and invite small checking, thrift and savings accounts, has applied to the Comptroller of the Currency for permission to organize in New York. The bank, which will be known as the Bowling Green National Bank, will be literally unique for the lower Broad street district, where it is to be located.

According to Samuel Conrad Cohen, who is organizing the new institution, the bank will have a directorate of between twelve and twenty and the rotary idea will be carried out by means of representatives on the board of the various industries patronizing the bank. The new institution will be a member of the Federal Reserve System.

CITIZENS BANK HAS NEW DIRECTOR

THE Citizens Bank of Brooklyn, N. Y., has announced the election of Dr. John Linder as a member of its board of directors. Dr. Linder has been a resident of Brooklyn all his life, received his education in the public schools there, at Dwight Preparatory School and at New York University.

The new director is also a director in the Reliance Investment Company, chief surgeon of the Brooklyn Jewish Hospital, and consulting surgeon in a number of other hospitals. He is a Fellow in the American Academy of Medicine and is recognized as an outstanding surgeon and a writer and lecturer of note.

the total sum paid by state banks as

The Citizens Bank opened June 21 of this year and at the end of its first three months shows deposits of more than $1,000,000.

BANK OFFICIALS HONOR W. IRVING BULLARD

A complimentary dinner was recently given for W. Irving Bullard, retiring as vice-president of the Merchants National Bank of Boston, by President Alfred L. Ripley and other officers of the Merchants National Bank of Boston, Mass., at the Brookline Country Club.

The dinner was largely attended by many men prominent in the financial and business world and all expressed regret at his leaving the institution he has been with so many years.

Mr. Bullard's outside interests in other financial institutions, manufacturing companies and public welfare organizations have become so extensive that he finds it necessary to devote his whole attention to these personal affairs and to the various trusteeships which he holds.

NEBRASKA BANKERS TO STRENGTHEN LAWS

RESOLUTIONS to strengthen the state banking laws were adopted at a recent meeting of the state bank committee of the Nebraska Bankers Association held in Omaha.

The resolutions call for strict adherence to the guaranty fund law, more stringent laws governing issuance of state bank charters, changes in laws to remove the department of banking from political control, furnishing state banks with complete information of the operations of the guaranty fund commission, making available for bank supervision the total sum paid by state banks as examination fees, and longer term of office for bank examiners with a minimum salary of $2400 a year.

COMMITTEE OF ONE HUNDRED TO CONTINUE FIGHT

UNDAUNTED by its failure in the branch-bank battle waged at the American Bankers Association convention, the Committee of One Hundred, which favors re-indorsement of the Hull amendments to the McFadden bill, will carry its campaign into the short session of Congress, which convenes in December. The committee is not discouraged by the vote at the convention, since, according to its secretary, E. N. Baty, only 1 per cent. of the bankers of the country voted to eliminate the amendments.

LOS ANGELES BANK TO EXPAND

THE board of directors of the Union Bank & Trust Company of Los Angeles has voted an increase in the capital of that institution from $1,500,000 to $3,000,000, subject to the approval of the stockholders.

The addition of $375,000 surplus was also authorized, the two increases making a total capital and surplus for the bank of $3,775,000. The increase is deemed necessary in order that the bank may continue in the development of Los Angeles in an industrial way and also that it may keep pace with the city's growth in population.

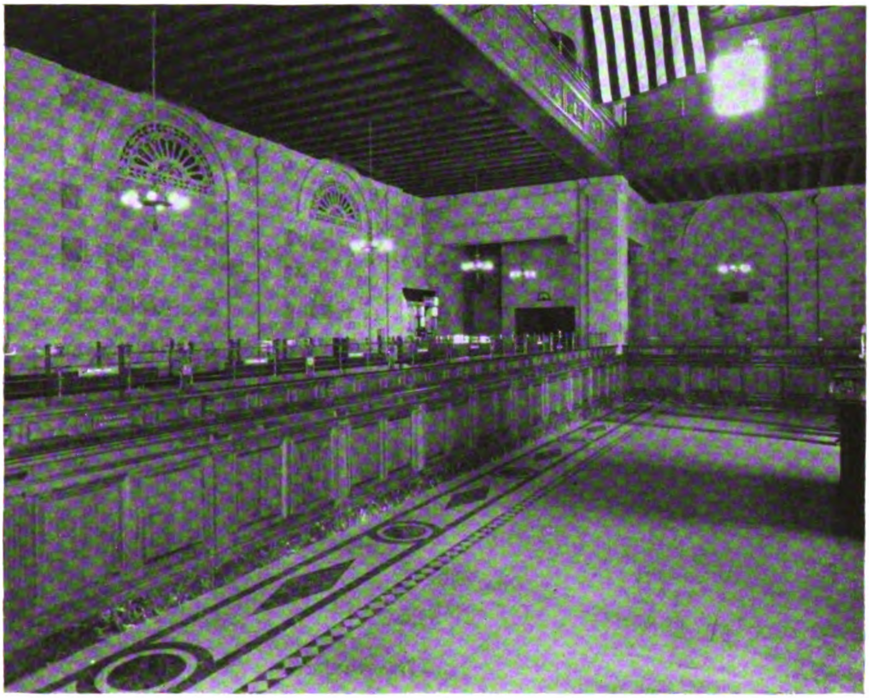
The bank's deposits have increased

[Continued on page 795]

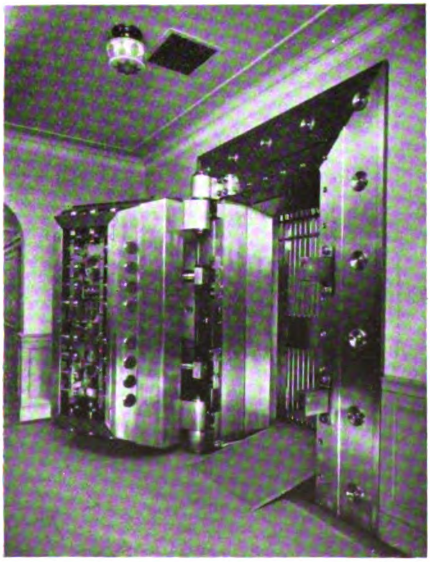
EXAMPLES OF RECENT BANK BUILDING OPERATIONS

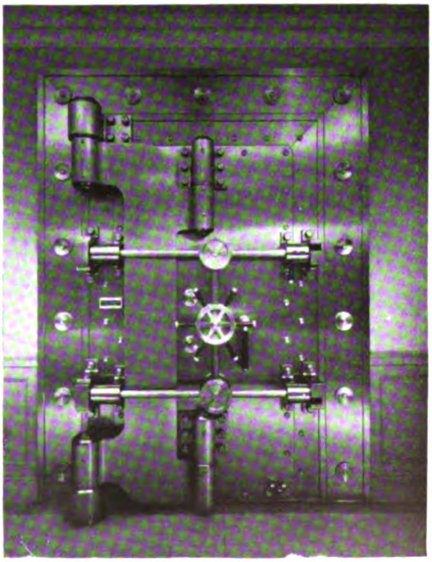
An attractive individual bank building of Indiana limestone with a cut cast granite base built for the Bank of Smithtown, Smithtown, N. Y. It was designed by and erected under the supervision of Morgan, French & Co., bank architects, New York.

The Colonial precedent will be followed in building the new home for the Keene National Bank of Keene, N. H. The exterior walls will be faced with dark red brick with limestone trimmings. The entire building will be occupied by the bank. It was designed by Hutchins & French, architects of Boston, Mass.



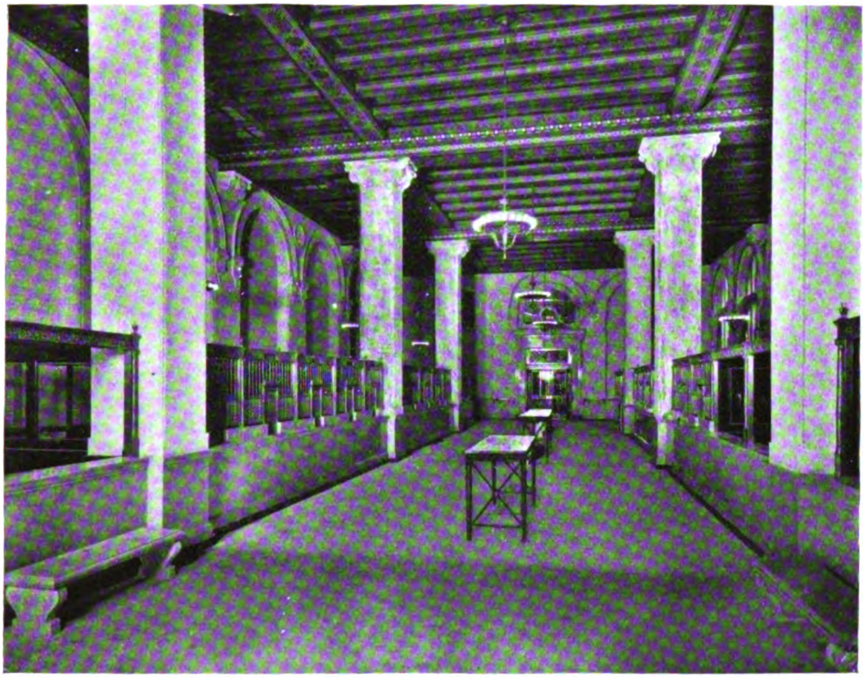
The interior of the Federal-American National Bank, Washington, D. C., showing the new arrangement with no upper counter screen, giving clear vision to everybody, both employes and customers. This gives a reduction in the space required between wickets and protection superior to that with the old fashioned bank screen. It also gives a more pleasant appearance and a more friendly business atmosphere. Alfred C. Bossom, bank architect, of New York was the designer of the building.



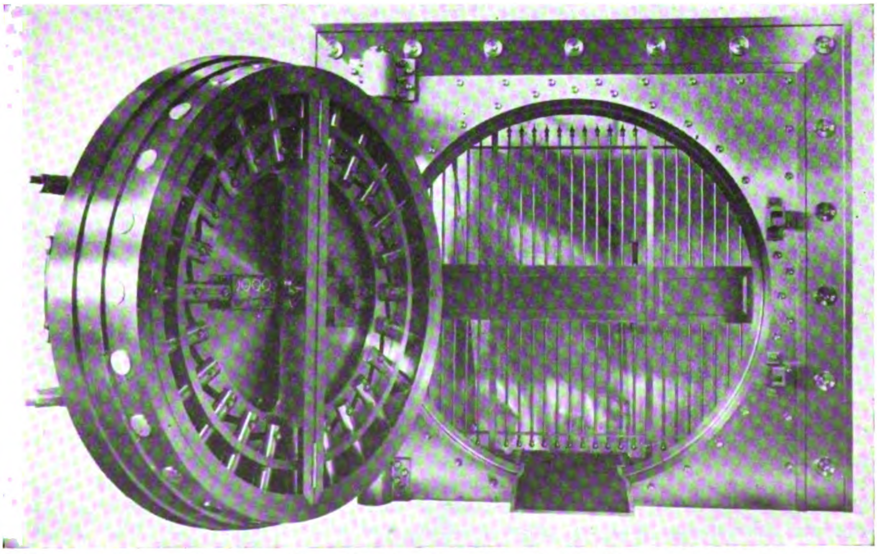


Main entrance to the new vaults of the Chase Deposit Company, Park Avenue Branch, New York City. These vaults were built and installed by the York Safe and Lock Company.

Interior of the new building of the First National Bank, Tampa, Fla. The bank occupies the main and two mezzanine floors and there are twelve floors of offices above. The floor of the main banking room is laid with travertine and marble mosaic in various patterns. The walls are of travertine, the lighting fixtures are of bronze and iron in polychrome. The ceiling is painted in dull gold and polychrome. The architects for this building were Holmes & Winslow, bank architects, New York.



Main banking room in the new building of the First National Bank, Tampa, Fla. There are thirty-six tellers' windows in the main banking room which is the last word in appointments and equipment. On this same floor are also provided a ladies' room and several conference rooms. Holmes & Winslow, bank architects, New York, designed the building.



Twenty-six ton door to the safe deposit vault of the Putnam Trust Company, Greenwich, Conn., manufactured and installed by the Herring-Hall-Marvin Safe Co., Hamilton, Ohio, and New York.

This is not a bank building but when Alfred C. Bossom, the New York bank architect, was recently in Europe he brought this photograph home with him to illustrate an interesting type of modern German office building. It is known as the Chili Building in Hamburg and its architecture is based on local brick designs It has outdoor sidewalks around the entire structure and office workers spend their noon hour enjoying the fresh air and rest from the noise of traffic.

WHAT BANKS AND BANKERS ARE DOING

[Continued from page 788]

from $4,000,000 in 1921 to $17,000,000 at the present time.

The board of directors also authorized the purchase of a plot of ground for an addition to the Union Bank building.

SOUTHERN BANKERS DISCUSS COTTON SITUATION

THAT bankers in the South are seriously considering the cotton situation is shown by the fact that the state bankers' associations of two states, South Carolina and Texas, held special meetings during October to discuss remedies for the present crisis in the cotton market. Suggestions for special credit for cotton growers and for reduction of the cotton acreage were made at both meetings.

COMMERCE BANK TO OPEN UPTOWN OFFICE

THE National Bank of Commerce of New York City, one of the few remaining banks that had not joined the movement toward establishing uptown offices, has announced that it will open an office to be located at Madison avenue, between Thirty-eighth and Thirty-ninth streets.

These quarters, which will go by the name of "offices" rather than "branch," will be operated under the ruling of the Comptroller of the Currency which permits "additional local offices" for the purpose of receiving and paying out deposits.

The only other large downtown banks that remain without uptown offices are the First National and the Hanover National.

NEW BANK LIGHTING SYSTEM DESIGNED

GOOD lighting for banks, which often is a contributing factor in creating an impression of stability in the minds of patrons, is sometimes difficult to attain, especially when it must be in keeping

© UNDERWOOD & UNDERWOOD

GEORGE W. DAVISON

President Central Union Trust Company, New York, and general chairman of the business committees which are assisting the New York Young Women's Christian Association in a drive for $315,000.

with the architecture of the bank building. To obtain this in small banks visible lighting fixtures are usually dispensed with altogether.

This type of light from the same source for both employes and patrons is adequately provided by a new design of X-Ray Bank-Ray, recently announced by Curtis Lighting, Inc., makers of X-Ray reflectors. The Bank-Ray consists of small but powerful silvered glass X-Ray reflectors concealed in an ornamental housing located at and fastened to the tops of the bank cage cornices and finished in such a way that it appears to be the coping of the grill itself.

For direct-indirect lighting, a portion of the light from the X-Ray reflectors is directed down into the cages, but the majority of it is thrown upwards to furnish general illumination for the bank. In this case, both top and bottom of the Bank-Ray are open, some light passing through a glass diffuser in the bottom of the reflector and down upon the cage counters, the remaining light being directed upwards upon the walls and ceiling, where it is distributed evenly and with uniform diffusion throughout the entire banking room.

Where only the bank cage counters are to be illuminated, the top of the Bank-Ray remains housed and all the light is thrown downwards from the lamps in the X-Ray reflectors. This abolishes the need of various local desk lights, distracting glare is eliminated, and greater efficiency and comfort are provided for close application to work. All the light is shielded from the eyes of the workers and of the patrons as well.

For totally indirect lighting, the bottom of the Bank-Ray is closed and all the light is thrown upwards from the X-Ray reflectors in the housing.

The Bank-Ray is highly flexible and can be adapted to all lengths, curves and irregularities of the coping. In every case, the quantity of the illumination is determined by the spacing of the reflectors. The material of the Bank-Ray is either bronze or steel, the latter in whatever finish will meet with individual requirements.

CHICAGO BANK OFFERS NEW REAL ESTATE INVESTMENT

A NEW type of security known as First Real Estate Mortgage Collateral Gold Bonds is offered for the first time by the Illinois Merchants Trust Company of Chicago, Ill., through the consummation of a trust agreement between that institution and the Chicago Title & Trust Company, as trustee.

The new bonds, yielding 5½ per cent., are a direct obligation of the trust and are secured specifically by deposit with the trustee of first mortgages on improved real estate located in the "greater Chicago" district

The announcement is of two-fold significance, first, since it gives investors the first opportunity to benefit by the Chicago Title & Trust Company's long experience and conservatism in the selection of real estate mortgages which formerly it had purchased only for its own

ARCHIBALD C. EMERY
President Hamilton National Bank, New York.

The progress and advancement of the Hamilton National Bank is said to be due, in no small measure, to the wide business experience of its president. Mr. Emery was born in St. Louis in 1878 and entered the steamship service early in life. Afterwards he was associated with various railroad interests in the Middle West. Later, in 1910, he became general purchasing agent of the Building and Grounds Committee of the Panama-Pacific International Exposition held in California. In 1915 he became general purchasing agent for the Thomas A. Edison interests and during the war he supervised the production and sale of large quantities of explosives. He entered the banking field with a wide knowledge of general business gained through his previous experience.

account and for trust funds under its control; and, secondly, since it is the first entrance of the Illinois Merchants Trust Company into the real estate mortgage field.

Fundamentally the plan represents an application of the investment trust idea which has long been accepted in England. By the pooling of a large number of carefully selected investments in the limited field of high grade mortgages, it provides an unusual stability and distribution of risk.

Speaking of the new invesment, Roger K. Ballard, vice-president of the Illinois Merchants Trust Company, in charge of the bond department of tnat institution, states that the decision to enter into the trust agreement was strongly influenced by a growing demand on the part of investors and financial houses for a real estate security which would have broader safeguards than those commonly offered. When the opportunity came to make an agreement with a house of such high standing as the Chicago Title &

Trust Company, and it became possible to back the bonds with such unquestionable security as this plans offers, the bank welcomed the opportunity to go ahead.

The selection of the mortgages which provide the security is made by the Chicago Title & Trust Company, every mortgage being legal for the investment of trust funds under the Illinois law. No mortgage exceeds 60 per cent. of the trustee's appraised value of the property.

In excess of the par value of the new bonds issued there is a 10 per cent. margin of additional real estate mortgages supplied out of the trustee's own holdings and held in a special protective fund. The soundness of the selection of mortgages by the trustee is indicated by the trustee's forty years of experience as a purchaser of real estate mortgages in large amount for its own investment as well as for trust funds under its control. During these forty years purchases by the trustee have been in excess of $200,000,000, of which more than $50,000,000 is now being carried for the trustee's own account and in trust funds. In the few instances in which foreclosures have been necessary, the net result to date has been a substantial profit.

The first series of the new security, constituting an issue of $2,000,000, is being brought out in denominations of $10,000, $1000 and $500.

WELTON JOINS MEYER BOTH

ARTHUR D. Welton, well known in the financial advertising field from his work with the Continental and Commercial Banks of Chicago, has been engaged by the Meyer Both Bank Service, Chicago, as counsel for its clients. Mr. Welton will supervise the creation of all service material and will be available to discuss with clients their problems of new business and advertising plans.

MIAMI BANKERS BUY HOLLYWOOD, FLORIDA, BANK

E. C. ROMFH, president of the First National Bank of Miami, and other officials of that bank or its subsidiaries have bought a controlling interest in the Hollywood Bank and Trust Company, Hollywood, Fla., according to a recent announcement.

The bank will be reorganized as the First National Bank of Hollywood, with a capital of $100,000 and a surplus of $100,000. It was founded and formerly controlled by J. W. Young, developer of Hollywood, and his associates.

The Hollywood bank is the fourth of a chain controlled by the First National of Miami. The others are the First Trust and Savings Bank of Miami, the First National Bank of Miami Beach and the First National Bank of Coral Gables. The last mentioned is now in the process of organization.

STEPHEN BAKER RE-ELECTED CLEARING HOUSE HEAD

STEPHEN Baker, president of the Bank of the Manhattan Company, was re-elected head of the New York Clearing House Committee, at a recent meeting, and Walter E. Frew, president of the Corn Exchange Bank, succeeded Charles E. Mitchell, head of the National City Bank, as chairman of the clearing house committee.

Clarence E. Bacon was re-elected manager; Edward L. Beck, assistant manager; and Charles A. Hanna, examiner. Theodore Hetzler, president of the Fifth Avenue Bank, heads the conference committee; Mortimer H. Buckner, chairman of the New York Trust Company, nominating committee; Samuel Woolverton, vice-president Hanover National, the admissions committee, and J. Wray Cleveland, vice-president Title Guarantee and Trust Company, the arbitration committee.

Check exchanges for the year set a record at $293,443,346,914, compared with $276,873,934,638 for the year ended September 30, 1925. The total exchanges since the clearing house was formed, seventy-three years ago, are in excess of $5,000,000,000,000.

EXTENSION OF THE STABILIZATION PRINCIPLE

Editor THE BANKERS MAGAZINE:

Sir: After many years of banking service I am now happily relieved of the cares and anxieties incident to that calling, and in the retirement of private life am enabled to devote my time to scientific pursuits, for which—to speak truthfully—I had a hankering even in the days when I was fumbling over ledgers, cash and accounts in the bank.

Recent proposals for stabilizing the purchasing power of gold have naturally attracted my attention, and lately I have hit upon a happy extension of this same principle, which, I am convinced, will be well received by your readers, more especially by those who during the last summer have experienced great inconvenience from the extreme heat.

By studying the plan for stabilizing the dollar I was led to the contemplation of fluctuations in other fields. "Why," I said to myself, "should there be extremes of heat and cold, any more than there should be a high and low in the price level?"

The more I studied the subject the more convinced I became, that while some people profited by the variations in temperature—the dealer in ice when the mercury was high and the dealer in coal when it was low—the people as a whole would be better off if the temperature could be stabilized and present extremes avoided. I was furthermore convinced that this could be done as readily in the one case as in the other. That is, if prices could be stabilized so could the extreme variations of temperature be prevented. The question was merely how?

At last, after many experiments, most of which were unsuccessful and showed I was on the wrong track, I hit upon the following ingenious scheme.

My first great discovery was that the fault so commonly found with the weather really arose from defects in the instrument commonly used to record the fluctuations in temperature.

The real problem, if we were to have stable temperature, was to construct a thermometer that would be insensible to variations in temperature; that would, in fact, adjust itself automatically to these variations, just as the jumping dollar adjusts itself to price fluctuations.

Assuming that 65 degrees would be the normal level of temperature, as 100 is considered the normal of the price level, I have constructed a new thermometer on the following simple plan. Degrees of temperature are indicated exactly the same as on thermometers now in use, since I have thought it desirable to introduce my invention with as little disturbance as possible of existing prejudices. But wherein my instrument radically differs from the old thermometer is right here: We have been using thermometers with a fixed scale indicating the degrees of heat and cold, so that when the mercury went up to ninety, we said, "It is hot," and when it went down to zero, we said, "It is cold;" whereas in my new thermometer, the scale representing the degrees, instead of being fixed, is movable. In other words, as the temperature rises the scale moves upward thus causing the tip of the bulb of mercury to remain constant at 65 degrees; conversely, as the mercury begins traveling toward zero, the scale moves downward, preserving always the normal temperature already indicated. Just how this result is achieved mechanically, of course, constitutes the secret of my invention.

An even further extension of this simple principle of stabilization is at least within the range of possibilities. It will be seen, I think, that the principle is applicable to the calendar as well as to the thermometer. As we may relieve ourselves of the annoyances due to heat and cold by stabilizing the thermometer, so may we arrest the flight of time by having the calendar itself move backward as time flies.

Stated scientifically, we achieve stability by correspondingly varying the measuring unit. As applied to prices, we should get exactly the same result by changing the pound, the yard and the bushel. Truly yours,

STABILIZER.

BOOK REVIEWS AND NEW BOOKS

CORPORATION SECRETARY'S GUIDE. By William H. Crow. N. Y.: Prentice-Hall, Inc. $10.

ANYONE who might question the need for such a publication as William H. Crow's "Corporation Secretary's Guide," needs only a glance through the contents of the book to change his question for another—that is, how the corporation secretaries have managed to get along without it, since it is, admittedly, the first work of this sort published.

The duties of a corporation secretary are, indeed, so many and varied, that the entire first two chapters of the book are taken up with defining them. The remainder of the dissertation discusses these duties and gives the methods by which they may be most easily carried on, as taken from the personal experience of hundreds of the leading corporation secretaries of the country.

No attempt is made to give a solution to every problem which may come up in a secretary's work. The author includes only such material as the majority of the secretaries who were consulted approved for insertion, so that the book might either serve as a guide to a new incumbent, enabling him to acquire easily the information necessary to the performance of his duties, or to supply a few precedents and suggestions on obscure matters to the seasoned office holder.

The guide is exceptionally complete in that it gives explanations of the methods, forms and precedents used by secretaries of large and small corporations in all phases of corporate procedure, corporation law, commercial law, tax law and legal facts pertaining to the relation of the company to the state and Federal governments, to other companies and to individuals. It explains how and why the corporation secretary usually supplements the functions of each of the officers, not only in all matters relating to corporate procedure, but also in respect to the issuance of company reports and taking action in important corporation matters at the proper time.

Qualifications of the English secretary, and his training, are viewed in comparison with those of the American corporation secretary. The latter may have any one of several kinds of previous training —law, real estate or even a minor stenographic position or clerkship. His essential qualifications are noted as "care, accuracy, common sense, good memory, alertness, analytical ability, tact, patience, system, calmness, thoroughness, promptness and uniform courtesy."

Desirable, too, are a knowledge of accounting, sufficient familiarity with law to interpret intelligently the Federal, state and municipal statutes referring to corporations, a good working knowledge of parliamentary law, preliminary training in corporate organization and management by experience and study, ability to meet people, and ability to take stenographic notes.

To a man endowed with the above qualifications, armed with Dr. Crow's practical and exhaustive guide book, and given an opportunity to use both, nothing in the realm of corporation secretaryship should be impossible.

APPLIED BUDGETING. By Henry Bruere and Arthur Lazarus. Chicago: A. W. Shaw Company. $7.50.

AT the present time there is considerable published information regarding budget procedure, methods of budget organization, the proper budget period, etc., but there is a dearth of information available in concise form to assist executives in working out definite budget procedures suited to their specific requirements. In "Applied Budgeting," Henry Bruere, third vice-president of the Metropolitan Life Insurance Company, and Arthur Lazarus, consultant with the same organization, supply what has heretofore been lacking.

In the first chapter the authors lay down a series of fundamental budgeting principles, applying to every type or variety of business. Then for eleven specific industries they explain just how to use these principles to organize, install and operate a budget system of control.

The industries included are oil companies, railroads, banks, newspapers and magazines, construction and contracting companies, metal working, department stores, canneries, hotels, ice cream and garment manufacturers. Every step is clearly charted, the exact forms to follow and use are illustrated, figures given for operation and selling expense ratios, forecasts of earnings and expense, special ways to get sales quotas and estimate future demand.

In addition, the authors show how to apply the principles of the budget to all types of business.

NOTES ON NEW PUBLICATIONS

IN connection with the nation-wide discussions of paying and non-paying checking accounts, the committee on bank costs and county credit bureaus of the Minnesota Bankers Association has published an interesting and timely pamphlet entitled, "Does the Account Pay?" In it is presented a plan for the analysis of accounts, with forms that may be used for the purpose, and also a form for monthly analysis of receipts and disbursements and undivided profits of a bank.

A GUIDE to the Far East for the commercial traveler, but convenient also as a reference book for the casual traveler, tourist, journalist or economic investigator, has been published by the Department of Commerce. "The Commercial Traveler's Guide to the Far East" contains 400 pages of comprehensive and detailed information in regard to the principal trading areas of the Far East, including Australia. Maps of the important countries are an added feature.

A SECOND edition of Paine's Analysis of the Federal Reserve Act will shortly be published by the author, former State of New York Bank Superintendent, Willis S. Paine. The first edition of the book is exhausted and no longer in print. The first edition was published by The Bankers Publishing Company.

"THE Cotton Growing Countries" is the subject of a book edited by John H. Hubback of the International Institute of Agriculture, Rome, and published by P. S. King & Son, Ltd., Westminster, London, S. W. I. The production, trade and consumption, present and potential, of each of seventy-nine cotton growing countries is included, with statistics of annual areas under cultivation and yearly production.

A PAMPHLET has been published by the Pennsylvania Bankers Association giving a report of the fourth annual tour of inspection made by the committee on agriculture of the association in August of this year. The foreword by Clark Hammond, president of the state association, describes the success of the tour, which was made in co-operation with the extension department of the Pennsylvania State College.

A SYMPOSIUM on the branch banking question is a booklet entitled "Liberty or Absentee Landlordism" by Andrew Jay Frame, chairman of the board Waukesha National Bank, Waukesha, Wis., and ex-chairman of the Anti-Branch Bankers' Association of the United States.

"SOLVING the Farm Riddle" is the title of a new book by Edward Jerome Dies and published by Pascal Covici, Chicago.

THE "Executives' Bulletin," published by the Union Trust Company of Detroit, Mich., consists of a digest of current articles on business, selected from leading periodicals.

NEW BOOKS

MAKING MONEY HAPPILY: TWELVE TIPS ON SUCCESS AND HAPPINESS. By Herbert N. Casson, N. Y.: B. C. Forbes. $2.

THE UNITED STATES OIL POLICY. By John Ise. New Haven, Conn.: Yale. $7.50.

THE TAXATION OF INHERITANCE. By John William Shultz. Boston: Houghton. $3.

WEALTH, VIRTUAL WEALTH AND DEBT; THE SOLUTION OF THE ECONOMIC PARADOX. By Frederick Soddy. N. Y.: Dutton $3.50.

BUSINESS MANAGEMENT: AN INTRODUCTION TO BUSINESS. By Percival White. N. Y.: Holt. $4.

THE INTERNATIONAL LABOR ORGANIZATION; A STUDY OF LABOR AND CAPITAL IN CO-OPERATION. By Paul Perigord. N. Y.: Appleton. $3.

THE DEMOCRATIC WAY OF LIFE. By Thomas Vernon Smith. Chicago: University of Chicago Press. $1.75.

THE FINANCE OF FOREIGN TRADE; A PRACTICAL GUIDE TO THE OPERATIONS OF BANKER AND MERCHANT. By William Frederick Spalding. N. Y.: Pitman. $2.25.

CREATING AND CONSERVING ESTATES; CO-OPERATION BETWEEN LIFE INSURANCE AND TRUST COMPANIES. By Alexander C. Robinson and Edward A. Woods. N. Y.: F. S. Crofts, $3.

THE GEOGRAPHY OF COMMERCE. By William Pickering Rutter. N. Y.: Pitman. $1.50.

PROFIT SHARING AND STOCK OWNERSHIP FOR EMPLOYEES. By James Gorton and others. N. Y.: Harper. $4.

THE FINANCIAL SYSTEM OF INDIA. By Gyan Chand. N. Y.: Dutton. $4.25.

COMING BANKERS' CONVENTIONS

ALABAMA BANKERS ASSOCIATION, Birmingham, May. Secretary, H. T. Bartlett, American Trust & Savings Bank, Birmingham.

CANADIAN BANKERS ASSOCIATION, Montreal, November 11. Secretary, Henry T. Ross, Dominion Express Building, Montreal, Quebec.

DELAWARE BANKERS ASSOCIATION, Wilmington, March 3. Headquarters, Hotel dePont. Secretary, W. K. Ayres, assistant treasurer Wilmington Trust Company, Wilmington.

IDAHO BANKERS ASSOCIATION, Hayden Lake, June. Headquarters Bozanta Tavern. Secretary, J. S. St. Clair, vice-president Boise City National Bank, Boise.

ILLINOIS BANKERS ASSOCIATION, Danville, June 23-24. Secretary, M. A. Graettinger, 208 South LaSalle street, Chicago.

KANSAS BANKERS' ASSOCIATION, Manhattan, May 18-20. Headquarters, Kansas State Agricultural College. Secretary, W. W. Bowman, Hotel Kansan, Topeka.

NEBRASKA BANKERS ASSOCIATION, Lincoln, November 11-12. Headquarters, Lincoln Hotel. Secretary, William B. Hughes, 908 Woodmen Building, Omaha.

NORTH CAROLINA BANKERS ASSOCIATION, Pinehurst, April 21-23. Headquarters, Carolina Hotel. Secretary, Paul P. Brown, Raleigh.

NORTH DAKOTA BANKERS ASSOCIATION, Jamestown, June. Headquarters, Gladstone Hotel. Secretary, W. C. McFadden, 54 Broadway, Fargo.

OKLAHOMA BANKERS ASSOCIATION, Oklahoma City, May 10-11. Headquarters, Huckins Hotel. Secretary, Eugene P. Gum, 907-8 Colcord Building, Oklahoma City.

SOUTH DAKOTA BANKERS ASSOCIATION, Deadwood, July 1-2. Headquarters, Franklin Hotel, Secretary, Geo. A. Starring, Huron.

TEXAS BANKERS ASSOCIATION, El Paso, May 10-12. Secretary, W. A. Philpott, Jr., Dallas.

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 October 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 28th day of Sept., 1926

ALEXANDER PUGLISI,
Notary Public.

My Commission expires March 30, 1928.

December 1926

The BANKERS MAGAZINE

80TH YEAR

The New Challenge to Our Tariff Policy

Branch Bank Profits—A Discussion of Methods and Policies

That " Hard-Boiled " Banker

What Gets Financial Advertising Copy Read ?

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THE BANKERS MAGAZINE

ESTABLISHED 1846 ELMER H. YOUNGMAN, *Editor*

VOLUME CXIII DECEMBER, 1926 NO. 6

Editorial Comment

AT THE END OF THE YEAR

UNTIL the trade and financial returns for the year 1926 are all in it is impossible to make a complete and accurate estimate of the economic history of the last twelve months. But enough is known to warrant the conclusion that the year has been one of at least moderate prosperity. Many of the large corporations, including the railways, have shown marked gains in their net earnings. Despite some recession in building and in the automotive industries, activity in these lines has been well maintained. Politically the country remains untroubled. The agricultural situation might be much better.

Unfortunately, our relations with Europe seem less pleasant than they were a year ago, due chiefly to the debt controversy. Without entering further into this matter, which has been discussed on both sides of the Atlantic with far too much bitterness, there is one phase of America's present relation to Europe which should bear dispassionate discussion. Reference is made to our loans made to Europe for constructive expenditures. These loans have recently come in for severe criticism. It is charged that the United States in making these loans seeks to bring Europe under economic subjection to this country. Is this view warranted by the facts? Whatever had been our attitude respecting the debts due us from Europe—had we canceled the entire sum—Europe would still have found itself impoverished by the war, and must have had recourse to foreign loans. Some part of these loans must come from the United States, because France, Belgium, Germany—and to a less extent England also—could not supply investment funds as they formerly could. In fact, several of these countries had changed from lenders to borrowers.

Europe quite naturally feels resentment because we stayed out of the war so long, and cannot see the justice of our debt policy; but whatever may be the correct view of these matters, an impoverished Europe, to some extent at least, must have turned to the United States for financial help. For, at whatever stage we might have entered the war, and whatever might have been our course with respect to the debts, we must have come out of the conflict and its aftermath better prepared for making foreign loans than most of the countries involved in the great tragedy. Instead of regarding our lending ability in a spirit of hostility, might it not be better to look upon it as a source from which Europe could draw for help in its economic reconstruction?

Before the Great War the United States had drawn heavily on the capital funds of Europe, and there were political agitators here who sought to make out a case of perpetual subserviency to foreign capital. Actually we used this capital advantageously to the lenders and to ourselves in effecting a more rapid development of our great natural resources than would otherwise have been possible. True, the situation in Europe is not exactly the same, though there is, to an extent, a need of capital there such as we formerly experienced. And if the capital which America is now able to supply is judiciously used, may we not reasonably hope that its employment will be measurably as beneficial in one case as in the other?

In taking stock of the year, few things are of more importance than the financial relations between Europe and the United States. Our foreign loans are already large in volume, and they are growing in popularity. But money cannot be profitably lent unless it benefits the borrower as well as the lender. The people of the United States, it is true, are inexperienced in international finance, but they understand this primary principle. They have no wish to disregard it in making loans to any European country.

THE RUIN OF ABUNDANCE

TIME was when abundant crops invariably meant prosperity, for even if the increased output lowered prices, this was made up by the enlarged volume of salable farm products. Now big crops seem to spell disaster to the farmer. One year there is too much wheat, another too much corn. This year there is too much cotton. As measured in terms of money, a big crop makes the poorer showing. For example, we raised in 1925 some 600,000,000 more bushels of corn than in 1924, but the money value of the larger crop was some $300,000,000 less. Now, in figuring the money value of a farm product, we do not necessarily get at the real value. For instance, a farmer who in 1925 raised double the amount of corn that he did in 1924 was not surely in a less favorable position on account of the increased crop, although the money value of his crop was less. But if—as was frequently the case—the farmer was feeding his corn to hogs or cattle, his position was distinctly better. Again, some figures have been given prominence of late showing that for the year ending June 30 last the farmers of the country earned 3.5 per cent. on their net invested capital. This is contrasted with an average of one-half of 1 per cent. for the last six years, but the improved earnings are attributed to a shrinkage in capital investment from $47,000,000,000 to $32,000,000,000. But we must bear in mind that the earlier figures cover a period of wild inflation in farm values, and if the prices of lands have shrunk about one-third, as above indicated, which explains the improved yield on the net investment in the last year as compared with the earlier period, the actual productive value of the land has not necessarily changed—it will produce no more nor less now than formerly. What is the truth of the matter? Simply that the farmer, along with the rest of the community, was caught by the speculative fever of 1919-20. Prices of farm lands were marked up beyond their real value. Now they have had to be marked down.

The producer of cotton is less fortunate than the grower of grain and hay. He cannot feed his surplus cotton to his livestock, but must hold on to it in the hope of getting a more favorable price.

But it would be unjust to seek to impose all the responsibility upon the farmer for the difficulties under which his occupation is conducted. He may be mistaken often in planting too large an acreage in the hope of making large profits from a certain crop, although an increased acreage by no means always implies a larger crop any more than does a decreased acreage imply the reverse. The uncertainties of the weather are often the deciding factor. Adequately to meet the needs of the community, to prevent that scarcity which would be a greater calamity than over-production, the farms of the country must produce a large annual surplus above domestic requirements and the probable demand for export. In producing this surplus the farmer is rendering a positive benefit to the community, and it is a service whose cost he finds himself unable to bear. The real question is, can a remedy be found for this situation which will be effectual without bringing even greater evils in its train?

REMOVING TARIFF BARRIERS

GREAT interest has been aroused by the recent pronouncement of a large number of European bankers and industrialists in favor of the removal of existing tariff barriers. The manifesto in question also bore the signatures of several prominent American bankers. It is explained that these gentlemen attached their names to the document in the belief that it related to the countries of Europe only and had no reference to American tariff duties.

Previous advocates of free trade in Europe have pointed out that this would not necessarily mean reduced rates on American goods exported to that quarter of the world, since the countries of Europe might adopt free trade among themselves without granting the same privilege to the outside world. In order to do this, however, existing treaties would have to be revised.

The report under consideration is worthy of careful attention because of its character and the weighty names it bears. These gentlemen are men of affairs, and it must be supposed that they would not have given their approval to the views set forth in the document without first convincing themselves that they were of serious concern to the material welfare of the European countries. Here is one of the most significant statements of the manifesto:

"There can be no recovery in Europe till politicians in all territories, old and new, realize that trade is not war but a process of exchange; that in time of peace our neighbors are our customers, and that their prosperity is a condition of our own well-being. If we check their dealings, their power to pay their debts diminishes, and their power to purchase our goods is reduced. Restricted imports involve restricted exports, and no nation can afford to lose its export trade. Dependent as we all are upon imports and exports, and upon the processes of international exchange, we cannot view without grave concern a policy which means the impoverishment of Europe."

The late war resulted in the establishment of a number of new frontiers and multiplied international trade barriers at a time when greater freedom in the exchange of goods and services was highly desirable. We should have a similar situation in the United States if the country would split up into twenty or more different nations each with tariffs and other trade obstacles. Compared with the present situation, with free trade between the forty-eight states, a change of this character would be intolerable. And no doubt the countries of Europe would, in the long run, greatly profit could they approximate the freedom of trade among themselves now existing between the states of the American Union. But there are so many different nations, unlike in several important respects, that any such development will be extremely difficult.

But the document referred to contains wise admonitions to the peoples of Europe, and it is to be hoped that their influence may be productive of ultimate good. And here in America we may well begin to consider the wisdom of our own tariff policy in view of our changed international relations.

A. B. A. AND BRANCH BANKING

THE action of the American Bankers Association at its annual convention at Los Angeles was disappointing to those who favor the restrictions upon branch banking provided for in the Hull Amendments to the McFadden Bill now pending in Congress. The association went on record in support of a more liberal branch banking policy, as generally favored by the Senate amendments to the measure. Quite probably this action reflected, to some extent, the local sentiment prevailing in California, where branch banking has obtained a stronger foothold than it has in many other states. This propensity of the action of the association to be colored by local sentiment was long ago recognized, and by delegating authority to the executive council an attempt was made to overcome this tendency, though without complete success, since the action of the executive council was subject to reversal by the conventions. It will be remembered that as early as 1890 trouble developed over the attempt made at the convention in Kansas City to commit the American Bankers Association to the free coinage of silver.

In whatever locality the conventions may be held there will be a tendency for local sentiment to predominate. This arises from the fact that the numbers attending the conventions will be largely drawn from the particular section of the country in which the convention may be held. The only way of overcoming this tendency would be to alter the composition of the conventions by making them delegate affairs rather than mass meetings. There would be some advantages and some objections to such a change. It might be that a delegate convention would gain somewhat in dignity and importance by limiting the numbers in attendance at the conventions in proportion to state membership in the American Bankers Association or to the members of the state bankers associations in the respective states, and a convention thus composed might overcome the objection pointed out regarding the influence of local sentiment on the conventions. Probably a delegate convention would be more truly representative of the banking sentiment of the entire country than are the present mass conventions composed of members representing individual banks. On the other hand, by changing the character of the conventions they would lose one of their most popular features—the opportunity of large numbers of bankers getting together each year and renewing their acquaintance.

Judging from the action of the Los Angeles convention, the American Bankers Association does not wish branch banking limited in the way provided for in the Hull Amendments. The proponents of these amendments claim that they would greatly limit the extension of branch banking—some assertions have been made that they would forever put a stop to it—but while admitting that these amendments would put restrictions on branch banking greater than contemplated by the Senate amendments, it is not likely that they would have anything like the deterrent effect claimed for them, for the simple reason that Congress lacks authority to limit branch banking as practiced by state banks unless they are members of the Federal Reserve System.

THE RECENT ELECTIONS

FEW elections in recent years have been so confusing in their results as the one held in November last. This is not particularly surprising, since there were no outstanding issues in the campaign. Presumably, the alleged dissatisfaction of the farmers with Republican policies was to reflect itself in a falling off of the votes for that party, but as a matter of fact the losses were most notable in states like New York and Massachusetts, where manufacturing is more important than farming. Generally the Republican strength was fairly well maintained in the great agricultural sections of the country. States that are the chief beneficiaries of the protective policy of the Republican party displayed a surprising degree of ingratitude for favors received.

But, as a matter of fact, the tariff did not cut much figure in the campaign one way or the other. Undoubtedly, the Republicans lost through the customary reaction of an off year. There is nothing new in a defeat sustained by an Administration in the middle of a term. Such defeats are the rule rather than the exception.

The results of the election may foreshadow what will happen in 1928, but it would be hazardous to accept them as a sure harbinger of Democratic triumph at that time. For example, Massachusetts elected a Democratic Senator to succeed Senator Butler, but would hardly vote against Mr. Coolidge should he be a candidate for re-election. Unless Mr. Smith should himself be a candidate for the Presidency, New York may go Republican in 1928 as it has done frequently in recent Presidential campaigns. There is strong ground for believing, however, that Governor Smith's personal popularity would win the state for him should he be the nominee of his party for the Presidency two years hence. Whether he would be elected is, of course, another matter.

It had been supposed that candidates for the Senate who had made heavy outlays in their primary campaigns would fare badly in the November polling, but they did nothing of the sort. They came through with flying colors. It remains to be seen what view the Senate itself will take of their liberal cash outlays in procuring their nominations. There have been occasional spasms of virtue in that distinguished body, causing the rejection of elected members who had used money too lavishly to procure their election.

The direct primary has been charged with responsibility for heavy campaign expenditures, and the charge is not without foundation. It would seem, in theory at least, that if aspirants for public office were popular, the direct primary would afford an easy means for the people to choose their favorite, and that no great outlay of money would be required. In practice, however, it does not work out that way. The average politician must work hard and make large legitimate cash expenditures to make much headway in politics.

Wet enthusiasts rejoice over the results of the November elections as indicating an early modification of the Volstead Act, and there is an unmistakable reaction against drastic prohibition. But in estimating the trend of sentiment against prohibition, it must be borne in mind that many of the "drys" did not take the referendum proposals seriously. In the early future a real battle may be expected between the "wets" and the "drys," but an immediate modification of the Volstead Act is not yet in sight. Still further off is the repeal of the Eighteenth Amendment.

DEATH OF EX-COMPTROLLER WILLIAMS

THE recent death of John Skelton Williams, at his home in Virginia, recalls his stormy career as Comptroller of the Currency. That office has been occupied by a number of men experienced in banking and public life, and with few exceptions these gentlemen discharged the duties of the office without attracting much public notice. Mr. Williams was the most conspicuous of these exceptions. He was frequently in controversy with the banks and often broke into print. His administration of his office never lacked vigor, but was not conspicuous for the display of a judicial temperament. It is no small tribute to his services as Comptroller that the late Thomas P. Kane, long Deputy Comptroller, was one of Mr. Williams' staunch defenders. In fact, Mr. Kane declared that he himself was largely responsible for some of the actions for which Mr. Williams was most severely criticised. To recall these controversies in detail at the present time would serve no useful purpose. They belong to the history of the Comptroller's Bureau.

Perhaps the vigor displayed by Mr. Williams in the administration of his office had a tonic effect upon the national banks whose effects may be more or less lasting. It can hardly be said that the various occupants of the Comptroller's office have exercised greater vigilance in the discharge of their duties than was required for a strict enforcement of the banking laws. They have, in some instances, erred rather on the side of leniency toward recalcitrant banks. No such criticism could justly be made of Mr. Williams. If a bank offended against the law or the regulations of the Comptroller's Bureau, he went after it with a promptness and energy which left no doubt of his purpose to bring the offender to book. No doubt, in carrying out his measures he was harsher than necessary and perhaps just a little too fond of making public the shortcomings of the banks. He was *fortiter in re* but not *suaviter in modo*. His actions sometimes laid him open to the charge of vindictiveness, and perhaps without justification. Even after his retirement from office he continued attacking certain banking and financial practices with his accustomed vigor. It cannot be said that he was generally popular with the banks he supervised, but history will probably give him a high rank for efficiency in the administration of the Comptroller's Bureau, accompanied with unnecessary harshness.

Mr. Williams had experience in banking, and was also prominent in railway management.

DIMINISHING TRADE WITH EUROPE

NOT long ago Mr. Mellon, Secretary of the Treasury, declared that Europe is our best customer. This has long been true, for our total export trade was steadily to that part of the world to the extent of 50 per cent. and upward. But in the last year, while exports to other parts of the world have been increasing, we are sending goods to Europe in a diminishing volume. In view of the loans made to the various countries of Europe, a contrary situation might have been expected, since it is the common supposition that loans to foreign countries are made largely in the form of export of commodities. It is held further, that the loan usually represents an export already made. Whatever may be the correctness of these views, the fact remains that in the face of increasing loans to Europe, our exports to that part of the world are declining while exports to all other parts are increasing. It would thus appear that the decreased purchasing power of Europe, due to the impoverishment arising from the war, has not been offset by American loans made to the various European countries. If we expect to maintain the usual volume of exports to Europe, we shall have to keep on making loans and probably to increase them unless we are willing to see a further decline in our exports to that quarter.

While our exports to Europe have been falling off, our imports have been increasing. This may be due, in part, to payments of principal and interest on loans—such payments being made in the shape of commodities exported by the debtor countries—and it in part is due to efforts of several countries to increase their exports and reduce their unfavorable balance of trade. The exchange situation in France, Italy, and in some other countries, will render such a policy imperative for a long while to come.

The effect of this situation upon our own producers is not to be ignored, for we cannot view with unconcern the falling off of trade with "our best customer." Producers of grain, cotton, beef and pork, as well as manufacturers, are vitally interested in the sustained buying power of Europe, and whatever we may be able to contribute toward this end, whether it be in the form of economic or political co-operation, is manifestly in our own interest. Altruists may not like this practical view of the matter, but they need to be reminded that to maintain the buying and selling power of nations constitutes one of the most effective means of promoting the welfare of mankind.

THE NEW CHALLENGE TO OUR TARIFF POLICY

By H. Parker Willis

In this article Dr. Willis challenges our national tariff policy on the basis of our changed international position. As a creditor nation, he states, the United States must ultimately be paid in goods and this is obviously impossible if we insist in shutting our doors to the products of other countries. Dr. Willis was for seven years editor of the *Journal of Commerce*. He was the first secretary of the Federal Reserve Board and was an expert adviser to the Ways and Means Committee of the House of Representatives when the Underwood tariff bill was being considered.

WITHIN the last month, wholly without expectation on the part of the politicians of the country at large, the question of our commercial policy has been suddenly brought before the nation in an arresting manner. A group of men of business and finance, drawn from all of the chief industrial countries and representing a wholly unique consensus of opinion, have put their names to a tariff manifesto in which they have sharply called attention to the dangers which the world confronts at this moment by reason of the growth of unprecedented, not to say outrageous, barriers to the movement of goods and persons between the trading countries of the earth. So forceful has been the expression of opinion thus uttered as to arouse the jaded minds even of those who have long been inclined to view the tariff question as a closed incident. The interest in the matter has been widespread and evident enough to call forth from the Secretary of the Treasury a lengthy attempt at vindication of the protective principle. In this and other writings, it has been set forth that the tariff manifesto had and could have application only to European conditions. It did not and could not apply to the United States. Europe had a set of primary economic interests and fundamental economic conditions, so the argument ran, totally different from those recognized in and by the United States. We must not think of changing our tariff policy in any way. And yet the challenge to our existing system of duties raised by this manifesto, and more fundamentally still by the facts on which it rests, remains. What is it?

PUBLIC OPINION AND THE TARIFF

The average man, of course, knows that we have in this country a very heavy set of import duties, and that they have increased greatly of recent years. But he has been led to think that they are necessary in order to protect our market against the inroads of the "pauper labor" of Europe. After the war, he was told that the disorganization of exchange was so great that Europeans were practically willing to give goods away, or almost that, in order to get them out of the country and that it was absolutely necessary that we should have a very high schedule of duties in order to protect ourselves. So stale, flat, and unprofitable has tariff discussion become of recent years that it has been a matter of utmost difficulty to induce the average citizen to give any consistent attention to it. He knows of course that as a result of tariff protection it is often possible for industrial combinations to raise the prices he has to pay for goods, and that through the medium of price-fixing associations, many of them have done so. Nevertheless he has become habituated to the idea that the "old tax is the best tax" and that changes in the tariff invariably destroy prosperity. As for the business man, even when he is opposed to high rates of duty on raw material, he is not infrequently so fearful of any shock to existing conditions that he is very suspicious of any proposal for a change. The Democratic party, which from time to time has featured the tariff as a "paramount issue," has found it a very unprofitable piece of political capital, partly no doubt because the party has itself included within its own membership about as many ardent protectionists as has the Republican, partly because the average man has fallen into the habit of regarding Democratic attacks on the tariff as mere sound and fury signifying nothing. So, the whole tariff issue has of recent years fallen to a very low estate, and has largely lost the economic interest which two or three decades ago, was so strongly centered in it.

It was perceived by a few observers, soon after the close of the World War, that an entirely new situation would very shortly develop as regards the tariff, and that at some early date the United States would probably have to revise its policies. About eight years have now elapsed since the Armistice, and every succeeding year has shown that such revision was becoming a more and more urgent need. Reasons for that opinion have been found in several phases of the situation, but of these a few stand out more conspicuously than others. First of all, the entire economic position of the United States with respect to the rest of the world has changed. The war left us with a manufacturing capacity that was a good deal ahead of our domestic consumable power, probably (according to expert estimates) about 20 per cent., so that the finding of foreign

Table I.

GROWTH OF FOREIGN TRADE OF THE UNITED STATES

(Millions of dollars)

	Years ended June 30			
	1910-1914 average	1922	1925	1926
Exports—				
Total (domestic and foreign)	2,166	3,771	4,865	4,753
To—				
Europe	1,350	2,068	2,660	2,334
All other, total	816	1,704	2,203	2,420
Canada and Newfoundland	320	551	658	709
Latin America	302	536	845	879
Asia	121	480	458	538
Oceania	48	84	167	201
Africa	25	52	77	94
Total exports of domestic merchandise	2,130	3,700	4,778	4,654
Foodstuffs	421	1,144	1,061	780
Raw materials	713	933	1,401	1,301
Semi-manufactures	342	412	646	635
Finished manufactures	654	1,211	1,670	1,937
Imports—				
Total	1,689	2,608	3,824	4,466
From—				
Europe	836	831	1,171	1,275
All other	853	1,778	2,654	3,192
Foodstuffs	398	635	903	931
Raw materials	595	927	1,452	1,906
Semi-manufactures	307	407	701	795
Finished manufactures	389	639	767	835
Quantitative indexes—Growth of trade, eliminating price changes (1913=100):				
Domestic exports	89	116	163½	137
Imports	94	137	161	170

markets, which had formerly been a kind of "extra" or "frill," in many manufacturing plants, had now become a necessity. The war also left us practically leaders in the capital market of the world, so that it became absolutely essential for us to move forward with our trade if we were going to meet the borrowing requirements of others. Other countries did not want to borrow cash here, but they did desire goods of all kinds, and their borrowings took the form of purchases in this market. The natural result of this state of things has of course been a recognition that, as long as we had to pay high tariff duties on the materials used in making the articles we shipped abroad, we were at a corresponding disadvantage in our lending operations, just as we were in our competition with other countries in mere selling. In other words, the entire economic position of the United States as a competitor in the world market had changed. This external change, moreover, has come about at a time when great changes were already occurring in the internal position of the United States. It had long been primarily agricultural, but for a good while before the World War it had been shifting over into a predominantly manufacturing state. The war and its consequences retarded other countries in their industrial growth and at the same time accelerated the growth of the United States. The precise effect of this situation on our trade can be seen from Table I including figures which have been recently published by the Department of Commerce to show the movement of our foreign business.

These figures are sufficient to show conclusively not only the enormous enlargement of our trade as compared with pre-war conditions but also the development of a huge balance in our favor—reduced during the current year, but reduced primarily for very special reasons, such for example as the sharp changes in prices which have occurred in sundry essential staples which we import largely from abroad.

WHAT IS OUR POLICY?

We have not, however, changed our commercial attitude in any respect except to intensify it. Before the war, we were already a most highly protected country. The war itself amounted to almost 100 per cent. protection as long as it lasted, and since the war we have established, in the Fordney-McCumber Act, a schedule of duties which in its leading features is much higher than we had ever before put into operation. Not only is it actually higher, but it contains provisions of an obscure sort which in practice make the rates much more onerous even than the nominal figures that are set by law. In order, however, to give a reasonable general comparison between the actual duties paid "ad valorem", (as distinct from those nominally imposed) under the present tariff law, and those which have been paid under previous laws, the following table has been compiled:

AVERAGE "AD VALOREM" RATE OF DUTY PAID ON GOODS

Year	Free and dutiable	Dutiable only
1911	20.29	41.27
1912	18.58	40.16
1913	17.69	40.08
1914	14.88	37.63
1915	12.49	33.46
1915 (six mos.)	10.26	31.61
1916	9.10	28.80
1917	7.01	26.28
1918	5.79	23.65
1919	6.20	21.27
1920	6.38	26.40
1921	11.47	29.46
1922	14.68	38.07
1923	15.18	36.17
1924	15.24	37.39

The average "ad valorem" rate collected varies in accord with changes in the volume and kind of goods imported. Today we are importing more than 2½ times as much as before the war and more raw materials than ever yet our average "ad valorem" rate is nearly as high on dutiable goods as it ever was. This means correspondingly heavier total burdens.

So far as expressions of national policy uttered by public men are concerned, it would moreover be difficult to find a period in which more positive adherence to a highly protective policy was avowed. Even at the present moment Secretary Mellon as well as others point to the tariff as being literally essential to American prosperity and to the welfare of American labor. It is asserted without qualification that in the absence of duties, if anything higher than those now charged, favorable conditions in business cannot be expected to maintain themselves.

IS A CHANGE OF FRONT NECESSARY?

What reason can there be for running counter to the assertions of those whose names have become in many cases "blessed words" in the mouths of the American people? The first fact which calls for consideration has been furnished in the table already given which has shown that the United States is already an enormous exporter with a heavy normal balance of exports over imports. There is a second however which is of equal cogency. This is found in the change which has taken place in the position of the United States from that of a borrower to a lender of capital. Shortly after the opening of the World War, the Federal Reserve Board which was then newly appointed and was facing a very severe drain of gold out of the country made a careful canvass of the indebtedness situation. It found that the United States probably owed at that time about $4,000,000,000. This sum was represented by stocks, bonds, bank balances and other obligations of like kind, title to which was held abroad. It is not necessary to rehearse the various factors which led to the entire reversal of this position as a debtor country, but it is enough to say that our enormous Government loans during the war completely altered it while since the conclusion of the struggle we have built up another enormous body of private and corporate claims upon foreign countries. The situation is now substantially as indicated in Table II up to the close of 1925:

For the year 1926, preliminary esti-

Table II.

ESTIMATED VALUE OF AMERICAN INVESTMENTS ABROAD AT END OF CALENDAR YEARS 1923, 1924, and 1925
(Millions of dollars)

Regions	Government-guaranteed obligations	Industrial securities and direct investments	Total
At end of 1923 (revised):			
Europe	950	350	1,300
Latin America	610	3,150	3,760
Canada and Newfoundland	1,050	1,400	2,450
Asia, Australia, Africa, and rest of world	360	235	595
Total	2,670	5,485	8,105
At end of 1924 (revised):			
Europe	1,500	400	1,900
Latin America	840	3,200	4,040
Canada and Newfoundland	1,100	1,500	2,600
Asia, Australia, Africa, and rest of world	440	250	690
Total	3,880	5,350	9,230
At end of 1925:			
Europe	1,825	675	2,500
Latin America	910	3,300	4,210
Canada and Newfoundland	1,175	1,650	2,825
Asia, Australia, Africa, and rest of world	520	350	870
Total	4,430	5,975	10,405

mates indicate an additional growth of our investment by about $1,200,000,000 with probably an additional $400,000,000 representing credits of various kinds, the net outcome being a total claim upon foreign countries of probably $12,000,000,000. This figure of course does not make any allowance for international ownership of land or natural objects, which we may assume to have changed considerably in the same direction as our ownership of securities, while the ownership of land and natural objects in this country by foreigners has probably not increased very greatly. Of course all this has nothing to do with the war debt of about $11,000,000,000 or a little less owed to the United States Government by foreign countries. Part of this we have practically agreed to cancel under our debt funding treaties, but even leaving the war debt entirely out of account it would seem that from a net indebtedness of about $4,000,000,000 in 1913, the United States has today a claim of about $12,000,000,000, a change in position therefore of about $16,000,000,000. If the war debts be included, a corresponding increase of course would have to be made in the estimate. We should be safe in saying that the balance in our favor on interest account beginning with 1927 will be not less than about $400,000,000 for interest and dividends and about $200,000,000 for payments under the war debts agreements so that we have annually to receive at least $600,000,000 on this score instead of paying possibly $200,000,000 to foreigners as at the beginning of 1914. We are today a regular exporter of capital. Almost the only free capital market in the world is found in the United States. We shall continue to export capital, or in popular phrase, to "lend money" and that means that we must in some way allow foreign countries to pay us the interest. Up to date we have been allowing them to pay us by giving us more bonds. Is there a limit to that process?

There have also been some other very important changes in our balance of trade. During the war many kinds of business were greatly developed here including the business of financing, insuring and shipping goods. The Department of Commerce has prepared a so-called international balance sheet which furnishes (for the end of 1925) an allocation of items on the "current" side. (See Table III.)

It will be observed that this balance sheet makes allowance for a number of the new factors in our balance of trade, including such things as motion picture royalties and the freight charged for sending, in our newly established fleet of merchant vessels, our goods abroad. But there are various other businesses such as insurance to be added. Exactly what share these classes of business now have in the establishment of the balance of trade of the United States it would be difficult to say, but it is certain that they have a quite considerable share. Various estimates on the subject other than those of the Government have been made although none probably that is very close to the mark. However according to the consensus of opinion, it would seem likely that we receive in the United States possibly as much as $50,000,000 annually for intangible services in banking and in financing the movement of goods to foreign countries. On insurance account complete figures are unavailable but total sums transmitted (net) by American branches of foreign fire and marine insurance companies to their home offices are averaging about $12,000,000 annually—an item to be offset against our net earnings on other accounts. While, of course, it is perfectly true that compensating payments on all scores are sent abroad by American customers, at the present time it is apparently safe to believe that our net balance on these accounts (services) is not less than $50,000,000. As for tourist expenses, the balance is heavily against us, and the same of course is true with remittances made by immigrants. On tourist account we probably have a normal adverse balance of about $600,000,000, and on the immigrant remittance account not far from one half that sum

Table III.

ESTIMATED COMPARATIVE BALANCE OF INTERNATIONAL PAYMENTS OF THE UNITED STATES, CALENDAR YEARS 1924 and 1925

(Millions of dollars)

Items	1924 Credit	1924 Debit	1924 Balance	1925 Credit	1925 Debit	1925 Balance
Visible current items:						
Merchandise	4,621	3,651	+970	4,934	4,268	+666
Invisible current items:						
Interest on inter-Allied debt	159	....	+159	160	....	+160
Private interest and dividends	455	150	+305	520	165	+355
Ocean freights	76	68	+8	75	83	—8
Governmental payments	....	5	—5	....	5	—5
Services to tourists	100	600	—500	100	660	—560
Charitable and missionary expenditures	....	55	—55	....	50	—50
Immigrants' remittances	....	300	—300	....	310	—310
Motion-picture royalties	70	....	+70	75	....	+75
Total, invisible current items	860	1,178	+318	930	1,273	—343
Total, current items other than gold and silver	5,481	4,829	+652	5,864	5,541	+323

Figuring up everything except specic it would seem highly probable that there is a net average balance in favor of the United States, i. e., that the United States has to receive from abroad net, possibly $1,000,000,000. Even according to the figures of the Government, we had in 1925 an "income available for investment overseas" of $987,000,000. Of course this sum must be considered with the amounts which we have lately been receiving from some foreign countries for everything, there seems to be no way made all allowances and have accounted for everything, there seems to b no ways of escaping the conclusion that at the present time we have normally claims upon foreign countries amounting annually to somewhere between $800,000,000 and $1,200,000,000, which can be met only through one of two methods: (1) the shipment of goods (or gold) to us in excess of what we send abroad or (2) continuous borrowing of more and more funds in this market (by foreigners) in order to meet interest and other payments due here. Of course there is a very distinct limit to the latter possibility.

WHAT IS THE LIMIT TO INTEREST PAYMENTS?

But what is that limit? The answer can be furnished in a number of ways. One limit is afforded by the amount of the borrowing power of foreigners in this market. As more and more foreign bonds are floated here, American citizens become more and more doubtful and chary about the advisability of purchases. It will not be at all out of the question to exhaust the borrowing capacity of foreign countries in the United States at a comparatively early date. There is another sort of limit which needs to be definitely contemplated. That is found in the extent of the continued ability of Americans to go without the actual interest. Think of this matter in the case of the individual: Suppose that A has lent $1000 to B. The latter is solvent but in need of capital, and whenever an interest day arrives he offers A his note with interest instead of giving A cash. This process, of course, can be continued, with the best will in the world on the part of A, only as long as A has a surplus available for lending.

Let him get out of work or have an urgent need of money, and he will decline to lend further. Very much the same situation may and does exist in international trade. Due to business depression followed by unemployment, war or other factors, the time may come when a nation is no longer ready with capital funds to lend to others. Then a situation is produced in which the others must pay it in cash or goods. We have an illustration of this sort within our own memory. At the opening of the war, Great Britain suspended her advances to other countries and asked them to settle. One result was inconvenience, stringency, and even panic in a number of the countries. In that case, the settlement was however entirely possible of accomplishment. We ourselves sent much gold to Great Britain; and later on, great quantities of goods which were very welcome on account of the war situation. Now assuming that nothing of this kind occurs in the relationship between America and other countries, but that, due to business depression or need of capital at home, we should cease lending abroad and begin to ask for payment—what would our customers do or say? They certainly could not pay us in cash, since we ourselves have about the only supply of free funds that is available in the world today. They would have to offer to pay us in goods, and we should have to face the same old question whether we were willing to be paid or not. There is another way in which this same question of a limit to borrowing and lending power is raised. That way is noted when a borrowing country reaches the point at which it can no longer borrow to advantage—the point at which it recognizes that further borrowing will bankrupt it and that what it must do is to make use of the funds it has already received in such a way as to produce goods which it can sell abroad and thereby liquidate its obligations. Such a point has already been reached in a few countries, and it is not at all out of the question that it should be shortly reached in a number of others. Suppose that it should be arrived at in a considerable number of countries, what should we then say?

EVENTUAL BALANCE OF PAYMENTS

Obviously when such a point is reached, a situation develops which has long been foreseen by the older writers on economic theories. In those circumstances, whether it be from actual inability to make industry produce or from a feeling that further borrowing is not economic in its nature, the country which has previously borrowed becomes a non-importer of capital and insists upon paying its debts to the outer world by the shipment of goods. Long before that time arrives, it often happens that the borrowing country begins to send coin abroad. But we are dealing now with a very special condition of economic society in which the United States has already absorbed a very large share of all the coin that is available in the world at large. So for practical purposes what we must expect is that we shall ourselves either consent to receive goods or we shall go without getting payment on our bonds and other claims upon foreign countries and their business men. In other words, at that time, bonds would go to default, if we should persist in our present policy with respect to import trade. Of course the foregoing discussion presents a somewhat extreme picture of the situation that might be expected to develop. In actual life such conditions do not arrive suddenly or without warning, but are usually the product of slowly working forces which take their time in actually coming to a head. As a result, the real course of events is characterized long before any general breakdown of credit occurs by a slow rotting or crumbling of the foundations of credit. Some bonds become bad or go to default, others are evidently in difficulties and still others suffer from suspicion. There is a general deterioration of the entire structure of credit.

WHAT WOULD BE THE EFFECT OF TARIFF CHANGES?

Let us now look fairly at the question, what would happen if we were to cut our tariff or tell foreign countries that in effect we should be glad to do more business with them? Protectionists of the extreme school would undoubtedly say that the result would be the familiar "flood of goods," swamping our industries and absolutely closing up American factories. In such a case business would suffer, prosperity would disappear, and we should be overwhelmed by the competition of European countries. We need not terrify ourselves very much with this line of thought. One of the best correctives of it is to look at the price levels of the principal countries. The accompanying table gives recent wholesale prices for Great Britain, Germany, and the United States:

	Great Britain	Germany	United States
August 1925	156	132	160
January 1926	151	120	156
February 1926	149	118	155
March 1926	144	118	152
April 1926	144	123	151
May 1926	145	123	152
June 1926	146	125	152
July 1926	149	127	151
August 1926	149	127	149

From this showing it is clear that the United States today has a lower price level than either of the other countries, when freights and other costs are considered. Singular to relate, its price level is falling, while that of Great Britain is rising and that of Germany is, if anything, also tending upward. There is hardly a country today in which the United States cannot compete, so far as the major industries are concerned. It is perfectly true that we import large quantities of goods and would import more if they were not so expensive, but we do not import them because they are so much cheaper than American goods. On the contrary, many people appear to buy them because they are expensive, or more usually because they represent some fashionable trend or new fancy which makes them attractive for the moment. If we were to make a material cut in the tariff we should undoubtedly increase our receipts of goods from abroad. We should also increase our consumption of foreign goods. To some extent we should possibly reduce our tourist expenditures abroad, but in the main the effect would be to enable foreign countries to sell here more largely. It may well be that if such reductions were hastily or indiscriminately or unwisely made, the result might be bad for individual industries or plants of the variety often referred to as "tariff-fed." These would be few in number, and the net result of such a reduction would be about as beneficial to most as it would be helpful to the consumer himself. Many plants which are now cut off from getting partly manufactured materials abroad, or which would like to buy more largely of semi-finished goods for remanufacturing would find their operations greatly enlarged, since they could reduce prices, while the rank and file of industries would not find themselves damaged, nor is there any reason to suppose that the consumer would give up buying American products and turn to those of foreign origin. He would probably enlarge his consumption in some directions quite materially. If such tariff reductions were handled in the right way through appropriate negotiations with foreign countries, a correspondingly larger field for our goods abroad would be opened. If it be asked why in that case there should be any real ground for fear, the answer is that there is no more ground for any such fear than there is with respect to the trade betwen Illinois and New York. Everyone desires to see that trade increased and nobody fears the bad effects of it. There would be no more reason for fearing the effects to be anticipated from a growth of trade with foreign countries, properly handled and safely developed, as it should be, with the right kind of supervision and negotiation.

RESPONSIBILITY FOR TARIFF REVISION

There is one phase of the whole situation which deserves some very careful consideration. This is the responsibility which was assumed by our lawmakers when the present tariff went into effect. It will be recalled that at that time, European exchanges were in a very disorganized condition, Germany particularly being so badly demoralized owing to the depreciation of the mark that it was practically out of the question to know what her currency was worth from one hour to the next. In these circumstances our public men very properly felt that the effort to fix tariff rates was wholly out of the question because they might and probably would, almost without notice, be thrown out of joint with conditions as a result of further depreciation abroad. So the so-called "flexible tariff" sections of the Fordney-McCumber Act were inserted. The President was given power by these sections to change rates by 50 per cent. whenever he saw fit. It was expressly stated on many occasions by those who were concerned with the tariff that these flexible sections would be used for the purpose of readjusting rates. It was frankly admitted that the so-called cost of production basis of rates had proven unavailable, largely, it was said, on account of the shifty character of European currencies, and from this the statement was naturally deduced that a considerable margin or variation in rates would be desirable in order to give a reasonable latitude for changing our tariff duties as foreign conditions changed. It was definitely promised that as foreign currencies became more stable and better adjusted to gold, rates on goods coming from those countries would be curtailed under the flexible tariff. Nothing of the kind has been done but as is well known the Tariff Commission has, instead, allowed itself to get into a condition of almost continuous warfare. Practically no changes whatever have been made.

THE PROBLEM STATED

It is well in closing this discussion to restate very briefly the way in which the problem presents itself to the observer of our foreign trade and international position. First of all the United States has a long standing policy of protection under which our industries have been developed and to which our price level and other economic relationships have been been adjusted. Probably the disposition to change or alter it has never been less pronounced nor less well marked than it is at the present time. Secondly, our international position has enormously changed during and since the war in two ways—we have become great exporters and powerful competitors of other countries in almost every market and we have become practically the only source from which large supplies of fluid capital are being drawn. This means that we must in the nature of the case provide some way by which we will allow ourselves to be paid for our goods and our funds. Thirdly, our price level is now such that we have little to fear from the competition of other countries in most lines of industry. If we want to do business with them and above all if we want to be paid the interest on our loans we must allow them to sell here on some basis. So allowed they will of course sell here for the same reasons that the people of Illinois sell in New York and vice versa. Fourthly, such increase in our business will increase the consuming power of our people but need not in any way whatever impair the success or efficiency of our manufacturers. At most it would cause some readjustment of markets. It is on these grounds that our present tariff policy is challenged—and our present tariff policy is not our traditional policy on that subject but a grotesque exaggeration of it enacted in 1922.

Can we bring ourselves to receive what is due us and to enjoy it?

BRANCH BANKING PROFITS—A DISCUSSION OF METHODS AND POLICIES

By Philip S. Wiseman

There has been much discussion as to whether or not banks should be legally permitted to open and maintain branches. Very little has been published, however, on the subject of actual branch bank administration. Are branch banks profitable from the standpoint of bank management? If so, how profitable are they and how can the actual profit made by each branch be determined?

THE completion of another year will soon be a reality. The banker will review the results as given up by the "melting pot" of profit and loss and will determine new policies and methods for the ensuing year. It seems timely, therefore, to discuss certain phases of the title subject, as present methods are somewhat at variance.

Obviously, the degree of profit or loss is contingent upon certain policies of the management and the methods of computation, and the discussion is limited to banks operating branches within a city or immediately adjacent territory.

LOAN METHODS

Several large banking institutions operating extensively in the branch field, transfer from the branch to the main office daily, all loans made; and conversely, all maturing paper is returned to its respective branch. On this basis, the main office accounts for the income of the entire system which is periodically prorated in favor of the branch on an aggregate basis. The character of business in one district may differ considerably from another with a corresponding variance of yield. The aggregate basis, therefore, diverts the value of these differentials in respect of mirroring a cross-section of the district.

Whereas, in other institutions, the loans all remain within the portfolio of the respective office. This is desirable from the standpoint of income, in that it will reflect a more highly refined figure and give a definite average yield for each class of business transacted.

SURPLUS FUNDS WITH HEAD OFFICE

Banks operating branches on a large scale are confronted with a heavy volume of daily transactions as between the main office and the various branches. There are different methods of handling and recording these items, but regardless of the method in vogue, the balances created between the branch and main office should be carefully administered in order to determine the correct loanable balance. Items in process of collection must be deducted and likewise reserve requirements on branch deposits.

After this phase is completed and the net average credit balance is established, the branch is entitled to a compensating rate of interest for the period under review. Some institutions allow a flat rate of 4 per cent., others 5 per cent., and still others, 6 per cent. In some instances they use the average rate of call money, then again the average yield on the total loans of the entire system, or the average yield of loans and investments combined.

If a district does not absorb all of the branch working capital, these surplus funds become automatically centered with the main office, therefore, the amount of revenue becomes a matter of policy. This condition is probably not the fault of branch management or banking service, and a rate of interest should be allowed that will admit of fair comparative figures.

After the elimination of non-earning items the balance is clean and workable. Considering all of the factors extant, it appears fair and reasonable to grant the branch exactly that which the main office is able to earn on these surplus funds, less the cost of handling, viz., the earning power of the main office loans on that portion invested in such assets, likewise the earning power on securities for the portion of this class of assets. In other words, the ratio of main office loans and investments is applied to the net branch balance together with the average yield of each.

MONEY ADVANCED TO BRANCHES

When the branch becomes a borrower to meet the growing demands of its district, the question then arises as to what rate shall be charged for the use of such funds. Where the flat rate system prevails, banks usually charge the same rate as would be credited if the balance were on the other side of the books, however, there are instances where the borrowing rate is 1 per cent. higher than the credit balance rate. Where the composite loan and investment rate is employed, it is frequently applied alike to either a credit or debit balance.

If the institution is a member of the Federal Reserve System, why not loan funds to the branches at the current Federal rate? At the first blush there may be some objection, but it may well be compared to a large family where the head of the house enjoys certain perquisites. Why not pass the benefit on to the children thereby lending encouragement? This is based on the hypothesis that the head office funds are working at capacity and when the branch needs money the head office borrows from Federal and passes it on without profit, and as far as the consolidated profits of the entire system are concerned, this policy does not change the results one penny.

The objection might be raised that this differential in rates could allow operating expenses to increase and the net profit still make a creditable showing. However, expenses and percentages in each office must be compared class by class and income accordingly. If this is carried out, the objection will be properly circumscribed.

If the institution is not a member of the Federal Reserve System, it may then apply rates according to the borrowing channel.

DIRECT EXPENSE

In some banking institutions the respective branch will contract for its purchase requirements, discharge its own current obligations, and disburse its salaries, etc. The merits of the individual case will of course decide the question, but volumes may be spoken in favor of the centralization of purchasing power, personnel activities, budget control, payment of operating expense, etc.

In the purchasing field, there is the advantage of spreading business according to price and policy, the maintaining of running inventories, the standardization of forms, and a competent control of the manner and volume of expenditures.

The personnel center will permit of complete and authentic employment records, adequate welfare and pension activities, with a minimum of effort in the control of expense. With the exception of interest paid on deposits, salaries constitute the largest item of expense with which the banker must contend and it therefore should be administered with care.

The payment of obligations from the head office will result in a reduction of the cost of checks, stationery, books and records, with the further advantage that

CURRENT PERIOD TO DATE			TRANSACTING BUSINESS—DISTRICT OFFICES OPERATING	
SALARIES	STATIONERY, SUPPLIES AND POSTAGE	OTHER EXPENSE		
				GENERAL BANKING DEPARTMENT
			20	Clearance Department
			25	Depositors Accounts—Commercial
			26	Depositors Accounts—Savings
			30	Distributing and Central Proof Department
			32	Interest, Analysis and Average Balances Department
			34	Loans—Commercial
			35	Loans—Collateral
			36	Loans—Real Estate Mortgage
			42	Tellers—Commercial and Currency Sorting
			43	Tellers—Savings
			44	Tellers—New Accounts—Commercial
			45	Tellers—New Accounts—Savings
			101	Salaries—Executive
			105	Checks, Deposit Tickets, Etc.
			106	Customers Special Check Books
			108	Telegrams and Telephone Tolls
			113	Express and Mail Insurance
			147	Depository Bonds
			169	Rental of Equipment
			171	Vaults (General Banking Department Only)
			189	Miscellaneous
				TOTAL
			600	SAFE DEPOSIT AND STORAGE DEPARTMENT
			700	FOREIGN DEPARTMENT
				TOTAL—OPERATING
				ADMINISTRATIVE
			1001	Salaries—Executive
			1003	Information
			1004	Pages and Messengers
			1005	Reference Department
			1006	Secretaries and General Stenographers
			1007	Postage
			1008	General Ledger
			1009	Accrual Accounting
			1010	Auditing
			1011	Telephone Service
			1014	Pensions
			1015	Leaves of Absence and Donations to Employes
			1016	Get-together Dinners and Entertainments
			1018	Cafeteria—Maintenance and Operation
			1020	Guards and Watchmen
			1021	Fire and Burglary Alarm Service
			1040	Drinking Water and Refrigeration
			1042	Towels and Lavatory Supplies
			1046	Insurance—Fire
			1049	Insurance—Miscellaneous
			1052	Equipment—Mechanical
			1054	Equipment—Desks, Chairs, Etc.
			1055	Equipment—Steel Files, Cases and Cabinets
			1056	Equipment—Burglar Alarms and Special
			1058	Equipment—Miscellaneous
			1062	Maintenance of Mechanical Equipment
			1063	Maintenance of Furniture and Fixtures
			1069	Rental of Equipment
			1089	Miscellaneous
A.	B.	C.	1095	Banking Quarters Operation
				TOTAL—ADMINISTRATIVE
				TOTAL—DISTRICT OFFICE EXPENSE

Schedule No. 1. Closing

	CURRENT PERIOD TO DATE			SAME PERIOD LAST YEAR	Account Number	MEMORANDA
	TOTAL EXPENSE	APPROPRIATION	AVAILABLE BALANCE			
					20	
					25	
					26	
					30	
					32	
					34	
					35	
					36	
					42	
					43	
					44	
					45	
					101	
					105	
					106	
					108	
					113	
					147	
					169	
					171	
					189	
					600	
					700	
					1001	
					1003	
					1004	
					1005	
					1006	
					1007	
					1008	
					1009	
					1010	
					1011	
					1014	
					1015	
					1016	
					1018	
					1020	
					1021	
					1040	
					1042	
					1046	
					1049	
					1052	
					1054	
					1055	
					1056	
					1058	
			Schedule #1.		1062	
					1063	
					1069	
					1089	
					1095	

period summary sheet.

the integrity of accounts is more definitely assured.

As a means of visualizing a certain style of cost accounts applied to a branch, there is reproduced on pages 822 and 823, Schedule No. 1, a closing period summary sheet which reflects the cost of each department or activity.

PROPERTY OCCUPIED

Certain branches occupy buildings owned and others occupy leased property. The point desired is whether the branch is making its money from a banking source or a real estate source. To be sure, the tenant phase and the banking phase have a certain tie-in, but generally speaking, it is desirable to segregate real estate and building operations into a separate group. In order to present a fair pro-rata comparison of gross expense, every branch should be charged a certain rental figure.

This figure may be based on a fair return on the investment or it may be based on a fair market value of the space occupied. Each individual case must be decided on the specific conditions surrounding it, taking into consideration, depreciation, upkeep, insurance, taxes, etc. In the case of leased property, the

PROMOTING BUSINESS & ESTABLISHING GOOD WILL		
Business Extension	$	
Publicity		
Taxation Service for Customers		
General Traveling after business, Entertaining, Flowers, Cigars, Etc.		
TOTAL		$
TRANSACTING BUSINESS		
GENERAL ADMINISTRATION		
Salaries, Executive		$
Directors' and Committee Fees		
Legal and Professional Fees		
Clearing House, Federal Reserve, and State Banking Department Fees and Assessments		
Private Wires		
Central File		
Safety Department - Supervision		
Purchasing Department		
Insurance - Employees' & Officials' Life		
Insurance - Fidelity Bonds		
Insurance - Excess Liability and Blanket Policies		
Comptroller's Department		
General Accounting Department		
General Ledger Department		
Accrual Accounting Department		
Bank Examination Department		
Personnel Department		
Educational		
House Organ		
Donations		
Credit Department		
Multigraph & Addressograph Department		
Maintenance of Mechanical Equipment		
GRAND TOTAL		$

Schedule No. 2. Possible list of items pro-ratable to branches.

annual rent is stated but consideration must be given to the amortization of premiums or bonuses and the annuity basis to cover any losses at the lease expiration.

OVERHEAD ASSESSMENT

Bankers frequently ask the question, "What overhead is applied to branches and on what basis is it assessed?" Some banks pro-rate overhead on the percentage of deposits in each branch in proportion to the deposits of the entire system at a given date. Others average the deposits over a given period and compute a similar percentage on the total average. Again, there are banks that distribute the burden in the same ratio that the direct expense of the branch bears to the total direct expense of the combined system. A further method is the ratio of the gross income of the branch as compared to the consolidated gross income for the perid under review.

The path of an ideal is usually beset with many obstacles and the present instance is no exception, for a multiplicity of factors enter the consideration. However, after an analysis of all of the elements, the basis of working capital appears fair and equitable. This is commented upon in a subsequent paragraph, briefly stated, it is every dollar working in a branch as compared to every dollar working in the system as a whole, on the basis of invested principal and not its actual or potential earning power. These dollars are averaged for the period and the percentages applied to the selected group of overhead items.

There is submitted herein (Schedule No. 2) a possible list of items proratable to branches. These may be expanded or contracted to meet the needs at hand; however the classification should be uniformly spread to each branch to insure proper comparisons.

WORKING CAPITAL

It has been held, that the capital stock or the capital and surplus combined should be allocated to each and every branch for the purpose of showing the earning power on a stated capital. If this procedure is followed, the deposits would be a vital factor in the basis of distribution.

As a rule, the deposits in the head office are subjected to far wider and more violent fluctuations than branch deposits. As a result, this abnormal shifting of funds automatically changes the capital structure arbitrarily allotted to each branch unit. Accordingly, the picture will be vitiated by conditions not originating in the branch district either overstating or understating the facts.

In the final analysis of profit and loss, earnings based on working capital constitute the acid test. Working capital is composed of average deposits, average borrowed money, and average capital, surplus, and profits. Therefore, a statement of income and expense compared in percentages to working capital, rather than theoretical capital, will be more sensitive and likewise more indicative of the true condition.

TAXATION

Real estate taxes were treated in a foregoing paragraph in the determination of rent, either on a fee basis or under stipulated lease conditions.

State and county taxation being so diversified, the application of this phase must necessarily become a matter of policy of the respective institution.

Federal income taxes are also subject to policy consideration. Some authorities view the income tax in the light of a distribution of earnings, others consider it a direct charge in determining earnings, therefore, they may be absorbed in the combined earnings of the system or otherwise applied conforming to the views of the executives in charge.

HEAD OFFICE RECORDS

When the branch office books are closed, the net profit or loss is charged or credited, as the case may be, to the head office. They in turn charge or credit the branch placing the offsetting entries into the consolidated profit or loss. It is suggested that the head office maintain two distinct and separate accounts for each branch, one to provide for the daily transactions of clearance, currency, loan transfers, etc., and the other to care for profit and loss closing entries and adjustments. Where only one account is carried, confusion may arise in the computation of interest and there is the possibility of unwittingly overpaying a losing branch and correspondingly penalizing an earning branch. However, the interest bearing account should be adjusted to equalize the funds advanced by the head office for branch operations and the funds carried with the head office on which interest is computed.

DESCRIPTION	[redacted] BANK OFFICE		[redacted] BANK OFFICE	
	AMOUNT	Percentage	AMOUNT	Percentage
INCOME				
INTEREST ON LOANS, DISCOUNTS, ETC.	$	4.40%		
OTHER INCOME		.23		
FOREIGN EXCHANGE NET PROFITS		.03		
TOTAL DIRECT INCOME	$	4.66		
INTEREST ON CREDIT CASH BALANCE WITH MAIN OFFICE computed at main office earning power on loans and securities in ratio to each other, less re-investment cost		1.30		
TOTAL INCOME	$	5.96%		
EXPENSE				
INTEREST ON DEPOSITS, EXCHANGE, ETC.	$	3.17%		
INTEREST ON BORROWED MONEY FROM MAIN OFFICE at current Federal Reserve Bank rate				
SALARIES		.98	Schedule #1 - Column A	
STATIONERY, SUPPLIES AND POSTAGE		.14	" 1 " B	
OTHER EXPENSE		.03	" 1 " C	
RENT		.22		
LOSSES SUSTAINED ON LOANS, ETC.		.03		
TOTAL EXPENSE	$	4.57%		
PROFIT BEFORE OVERHEAD EXPENSE		1.39		
OVERHEAD ASSESSMENT AS PER LIST ATTACHED		.33		
NET ADJUSTED PROFIT OR LOSS	$	1.06%		
DAILY AVERAGE TOTAL DEPOSITS	$			
DAILY AVERAGE BALANCE WITH MAIN OFFICE	$			
DEDUCT:				
ITEMS IN PROCESS OF COLLECTION				
RESERVE REQUIREMENTS				
TOTAL DEDUCTIONS	$			
REALIZED DAILY AVERAGE BALANCE WITH MAIN OFFICE	$			
AVERAGE WORKING CAPITAL	$ Schedule #[illegible]			

Schedule No. 3. A form for comparing the condensed operations of each branch to all others in the system.

FINAL CONDENSED PROFIT AND LOSS

There is reproduced herein (Schedule 3) a form for comparing the condensed operations of each branch to all others in the system. The earnings and expenses are applied to working capital (every dollar in the branch) and the resulting percentages meet upon common ground. Thus, the cost of money, the earning power, and the operating and overhead expenses, are relatively projected for each unit in the group. It therefore, requires but a moment for the bank executive to lay his finger on a situation that may demand further analysis to determine conditions that are difficult to express in figures.

To briefly summarize, it is the final objective to present a comprehensive picture of each branch reflecting its ability as a banking proposition, from its inception, through the development stage, until it reaches a fair standard of earning power—rather than merely the question, "Are branches profitable as a whole?"

In order to accomplish this, executive policies should be carefully considered and be reasonably liberal, together with accounting methods that will allow the branch the real earning power on its assets with proper consideration of its profits and their cumulative effect as time moves forward.

NEW FEDERAL RESERVE POLICY ON NON-CASH ITEMS

THE efforts of the committee on non-cash items of the American Bankers Association for the discontinuance of the collection of non-cash items on the part of the Federal Reserve banks have resulted in a reserve board ruling leaving to each Federal Reserve bank the determination of its own policy in regard to such service, it was brought out in a report submitted to the executive council of the association at Los Angeles by John W. Barton of Minneapolis, chairman of the committee. He reported that a questionnaire distributed among the entire Federal Reserve membership by the committee disclosed that only 779 out of the 4502 banks that answered favored the continuation of the service. The results were communicated to the Federal Reserve Board and its decision followed. Mr. Barton quoted a communication from a member of the board as follows:

"The action of the Federal Reserve Board regarding non-cash items leaves a method of procedure, as well as the question of whether non-cash items will be handled at the Federal Reserve banks, entirely in the hands of the officers and directors of the twelve Federal Reserve banks. In consequence of this situation and because I have not had the opportunity of discussing the proposition with any of the officers of the twelve banks regarding the matter, I must frankly say I do not know just what the procedure will be in the future regarding non-cash items. I would say that the procedure now would be for your committee or those banks which are interested in the matter to take the problem direct to the Federal Reserve Bank of the district. For instance, in the case of Minneapolis, I should say that the problem should be handled with the Federal Reserve bank of Minneapolis, since, so far as the board is concerned, it has granted authority to the reserve banks to use their judgment in these premises."

The executive council voted to continue the special committee so as to maintain contact between the American Bankers Association and the Federal Reserve Board until the new ruling has been digested by the several Federal Reserve banks.

THAT "HARD-BOILED" BANKER

By T. N. T.

There is one adjective used by the man in the street in connection with bankers more than any other. It is that expressive American colloquialism "hard-boiled." Why is the banker considered "hard-boiled"? T. N. T. says it is because bankers have never taken the trouble to explain the mysteries of banking and tell why the banker cannot afford to "take a chance" with the deposits committed to his care. There is much food for thought in this article for the banker who appreciates the value of good will and proper public relations.

ARE bankers really so "hard-boiled?" Most business men appear to think so. "I might as well talk to the Rock of Gibraltar, for all the sympathy or understanding I get from *him,*" says the business man, after he has been told by the cashier that his application for a loan was not approved.

In business, the banker is considered, apparently, as belonging to a distinctly separate breed of human being. Cold, hard, indifferent, calloused, tight—all these adjectives, and many others equally uncomplimentary, are applied to bankers as a matter of course.

Business men respect bankers—but they don't like them, as a class. Even though a business executive may have become personally friendly with one particular bank vice-president and found him to be a mighty pleasant and personable chap, that same executive will damn all bankers in general, feeling that this one vice-president must be the exception to the rule.

Why this attitude?

We, who know bankers, know that they are no different, as individuals, from other business men—no better or no worse. They are just as human, just as individually peculiar, or likeable, or objectionable, as other business executives. They like to tell stories and shoot pool and play golf and have even been known to patronize the nineteenth hole. They shave and cuss at their collars and wear holes in their shoes and fuss at the high cost of living and keep dogs and play bridge, just like other people.

WHERE THE RUB COMES

Why do business men think bankers are so different?

The reason, I believe, lies in the fact that the average business man hasn't the slightest conception, fundamentally, as to what the banking business is all about.

He doesn't understand banking—therefore, he doesn't understand the banker.

He blames the banker, personally, for following cardinal economic principles which operate impersonally and are entirely outside the banker's individual control.

Is the business man "sore" because he cannot get the loan he wants? All right he should be "sore," not at the cashier, but at the underlying principles which govern the extension of credit.

Is the business man peeved at his banker, and does he call him conservative, moss-backed, slow, unprogressive, and the like, because the banker does not feel that the building of an extension to this business man's factory, involving special financing, is advisable? Let the business man be peeved, if he wants to—but he should be peeved, not at the banker, but at certain principles of business probabilities gained from statistics covering long years of the recording of business failures and successes.

To hear some business men talk, you would think that a banker turned down their applications for loans because he had a sore throat that day, or got out of bed on the wrong foot, or didn't like the color of the applicant's tie, or out of sheer meanness and stinginess of character. These business men seem to think that the banker is a sort of financial emperor, who can say thumbs up or thumbs down, on a loan, to suit his pleasure or his caprice.

In short, they don't understand anything about the banking business.

They do not realize that the extension of credit by a bank is something which is closely governed, firstly by law, and secondly, by standard economic principles as old as the hills. All that the banker does is to exercise his best judgment in the application of those principles to the particular case in question.

He cannot follow friendship, personal preferences, likes or dislikes. He cannot be arbitrary in his decisions. The business man, free to conduct his own business upon whatever lines he likes, within reason, and, on the capital side, working with his own or with stockholders' money, has no idea of the definitely prescribed limitations which govern the credit side of banking—limitations of law, of credit principles, nad responsibility to depositors.

Practically every business man, in his own business, can take a chance. He takes a chance as to whether prices are going up or down. He takes a chance as to whether he can or cannot dispose of a larger production than that of the month before. In a thousand ways, he gambles, win or lose.

No wonder he does not understand that strange business, banking—in which the banker is *never* allowed, either by law or sound banking practice, to take a chance—in which he must *never* risk a loss, for he is doing business with other people's money.

His attitude of dislike toward bankers in general, therefore, is due very largely to this lack of understanding.

Now to the point—

WHAT ABOUT BANKERS' ATTTUDE?

What have bankers ever done to make business men understand these principles of banking— these elements that make the conduct of a banking business so vitally different from that of any other business?

Mighty little.

In fact, some bankers act as if they were trying to keep the business man from gaining the faintest inkling of what was going on inside their marble mausoleums of finance. They go about, like a doctor with the "bedside manner," making it appear that the inner workings of the bank are mysterious, sacred, secret, to be revealed only to the chosen few. No wonder that some business men get the idea that a bank is a sort of financial den in which a few shrewd misers chuckle craftily as they set the fatal days for the undoing of victims which they have enticed into their financial net.

Other bankers, who do not in the least "put on the act," and do business naturally and humanly, apparently make no effort to explain to their customers how the bank's credit machine works—to point out its rules and regulations, its limitations, and the reasons for them. Either it simply has not occurred to bankers that business men are entitled to this explanation—

Or else, bankers have been poor salesmen. They have not known how to go about selling their own business.

The latter, I think, is nearer the truth.

Banks have sold on the deposit side, it is true—but there they have sold either through advertising alone, or through advertising plus the solicitation of prospects by men specially trained for the job. Now neither these salesmen, nor the bank advertising men are, as a rule, bankers. Banks have also sold, on the deposit side, by the purely physical means of locating ample offices within easy reach of all parts of their cities. But this was not the selling of customers by the bankers, face to face. Ask any bank advertising man what his chief difficulty is, and the chances are ten to one that he will admit that it his inability to get the officers and tellers to sell the bank to the people which his advertising brings inside its doors.

It has been largely advertising men and salesmen, therefore, who have sold the deposit side of banking to the public. But have the ad men, or the salesmen, ever been allowed to say a word to anybody about the credit side? Mercy, no! For goodness sake, don't ever breathe a word to the effect that this bank loans money, or why, or how! Above all else, don't let the public know anything about it.

So, the credit side of the bank simply has not been sold at all. And business men have gone right on misunderstanding it, and cussing the bankers.

WHY HAVEN'T BANKS SOLD THEIR BUSINESS?

Why have bankers, apparently, been unable to sell their own business, themselves?

Here again, we find the trouble to lie, not with the bankers, but with the banking business.

Salesmanship is essentially aggressive. The banking business is essentially passive. Therefore experience inside a bank not merely does not teach a man to sell, but actually tends to train out of him whatever selling ability he may naturally have had.

Salesmanship initiates—banking conforms to rule. The salesman goes out and gets—the banker stays in and receives. The gauge of the day's effort, for the salesman, is largely his own "get-up-and-go"—the gauge of the day's effort of the average man in the bank is whatever is handed him to do, that day, from the outside.

Most bankers develop from within the institution. Let us see how their habits of business thought are formed. The bookkeeper posts his particular ledger. He does that ledger—no more, no less. When that ledger is posted, and he balances, he is through for the day. His "stint" is set for him. The day's volume of business, coming in from the outside, determines it. He becomes a teller. Here, again, he handles a certain section of business—no more, no less. He does not determine the amount of work he does in a day—that is determined for him by the day's flow of business. He does only that which is pushed in to him from the outside. He develops, naturally, the idea that if he takes care of just that which is shoved under his own nose by somebody else, he has done a good job of it. The idea of initiating work for himself is foreign to him. In fact, he could not indulge the idea if he had it—it would disrupt the system. Hence he becomes purely passive. Nothing so thoroughly atrophies the selling instinct as to be actually allowed to do no more than what comes in from the outside—to be made just to sit inside and wait for it to come in.

Well, our teller eventually becomes an officer. What is more natural than that his passivity should hold over into his new office? He is there to do what comes in to him to be done. He is so familiar with banking that it does not occur to him that there is any reason why the principles of banking should be explained or sold to anybody. As long as we balance, boys, everything's all right!

And even if he should get an insight into the customer's attitude, and want to take the time to sit down with him and tell him what and why—he simply hasn't the time to do it. For the inside detail of the institution takes so much of his attention that the customer can be spared only the barest of conversations.

NO TIME FOR CONVERSATION

Many a cashier is forced to snap out a short "yes" or "no" to a customer with whom he would like to talk for half an hour, simply because that cashier is loaded down with executive duties which press upon him minute by minute, all day long. The machinery of the credit factory must be kept going. He literally can't be bothered by chatting with customers. This is not the fault of the cashier—it is the fault of the system which sets up a bank officer as head bookkeeper, credit expert, employment manager, and salesman, all rolled together. Naturally, the necessary routine of the day wins—and the salesmanship, if any, suffers.

But how can the business man, whose own problem, to him, is extremely vital, realize that the reason the cashier shuts him off with a "sorry, can't do it", is not because that cashier is a natural born grouch, but because he is harassed by a hundred pressing internal jobs?

This angle of the banking business has always puzzled me. In other businesses, the executive and administrative burden is carefully taken off the shoulders of the salesmen, or any of the public contact men, so that they may be free to devote their entire efforts to selling. The office manager of a department store does not sell furniture—neither does the furniture salesman manage the office. And they don't pick the floor salesmen because they happen to be good bookkeepers. Yet that's the way they choose the tellers in a bank.

Who does the selling in the bank, anyway? I don't mean outside the bank, where advertising and personal solicitation are active—I mean inside the bank, in the lobby, at the officers' desks. Who sells?

Practically nobody at all. Certainly, nobody appears to make any effort to sell to business men the reasons why the credit machine has to run in the way it does.

What's to be done?

Nothing really *has* to be done. The banking business will go right along as usual, as long as advertising, solicitation, and proper location of offices, attract deposits. And money always has a market.

But one would think bankers would be anxious to have business men understand their viewpoint. One would think bankers would be glad to sell the idea that they personally, are not crabs and grouches who lie awake nights figuring out new ways to be mean to business men —but that they are just as human, just as full of sympathy and kindliness, as the next fellow—that it is the banking business which is different.

A long-continued barrage of publicity and advertising, explaining some of the whys and wherefores of banking, on the credit side, would help greatly. But much more than that is needed.

Eventually, it seems to the writer, the bank should be reorganized along the lines of proper public relationships instead of internal administration.

KEEPING REAL SALESMEN OUT FRONT

Why not get men who can sell the bank, and keep them out front, to meet the public—

And take men who know internal management from A to Z, and put them back out of sight, where they can manage away to their hearts' content, without bothering about the public, or the public bothering about them?

In short, put the salesmen on the floor, and keep the figure-hounds in the background.

With the unit system which is now coming more and more into vogue, and which permits of the keeping of two or even three tellers in one cage, it might well be possible to put into each cage one man who would be primarily responsible for public relationships in the cage. He would be the salesman for that cage —let the other two tend to the balancing.

In the officers' quarters, why not have a vice-president (with assistants, if necessary) whose job it was to interpret banking to business men—a sales manager for the institution? Free him entirely from internal routine. See to it that he could give his undivided attention to the customers. He would not have to make vital decisions himself—most bankers don't, now—they wait for the committee or the board. But he could teach and explain and iron things out and persuade and answer questions and make business men feel that they were getting the attention they deserved. He could take the time to make plain why the bank's loaning machinery has to operate in the manner in which it does. He could destroy the myth of the "hard-boiled" banker, and he could build up for the institution personal friendships that count.

Then put the officers who are in charge of bookkeeping, balancing, and all the technical routine, back in private offices—as is done in other commercial institutions.

Perhaps all this is wildly revolutionery.

Yet—*somebody* has got to sell the bank to business men, if we want them to stop complaining about "that hard-boiled banker".

THE BANKER AS TRADE COUNSELOR

IN a recent address before the Wall Street Division of New York University, O. F. Hevener, new business and advertising manager of the Bank of America, New York, refers to the "passing of the banker occupied solely with problems of finance" and "the arrival of the banker-specialist who is a trade counselor in relation to finance as well." Mr. Hevener said in part:

I suppose that 50 per cent. of business men dealing with banks are unaware of the elaborate mechanism that executives of large banks have created in order that customers may deal with officers familiar with their own peculiar trade problems. I refer particularly to the system now in vogue of assigning certain business classifications to a senior officer who, through contacts and study, becomes in time a specialist in these lines so that he is enabled to offer a very intelligent service to his clients.

My experience has shown that the average business man comes to a bank believing that he will confer with "just a banker", but not a banker-specialist. For instance, Thomas Brown, treasurer of the Smith Shoe Co. of New York City, seems to have little notion that Higgins, bank vice-president with whom he transacts his firm's business, is working shoe and leather accounts exclusively. Indeed, the idea is prevalent among a majority of business men, that calls and correspondence "just happen" to be attended to by a certain bank officer. But actually, Higgins is constantly following conditions in the shoe and leather industry through trade papers—reviewing and revising correspondence and credit files relating to such accounts, and in other ways directing his efforts so that in due course he becomes to the shoe company its trade banker.

The wisdom of allocating a certain group of businesses to a particular officer is obvious as it benefits both the customer and the bank. As pointed out, the banker develops into an executive fully conversant with trade problems and wrinkles in his bailiwick and plainly he will keep his client more satisfied and handle his transactions with greater efficiency.

From the strict standpoint of the bank's inner organization, the district system is the solution of many a mad scramble in times past, for such allocation spells smoother routine, keeps one officer from treading on the next one's toes, makes possible quicker determination of who shall handle a new account, and last but not least, enables an officer to make a much more comprehensive summary of a firm name brought before a credit committee meeting for granting of a line.

In reading to you some of the groups of trades frequently classed together because of their relation to one another, such as paper, printing and publishing, essential oils, chemicals and perfumes, I have referred to the business organization chart used in my own bank.

So far, I have confined my remarks to the specialized banking service offered customers, but of course, the business chart governs also our seeking of new accounts. Officers handling trade divisions are responsible for prospects falling within their category as well as customers. Here again obvious gains result from dividing prospective clients according to businesses, since the interested official, talking the language of his prospect, can invariably present a stronger sales argument.

Knowledge of the business split-up methods that are rapidly being adopted, will in time become general among people dealing with large banks, resulting, I am sure, in a greater appreciation of the strides financial institutions have taken in rendering a fittingly complete service to the complex twentieth century business machine.

WHAT GETS FINANCIAL ADVERTISING COPY READ?

By Richard F. Durham

JUST as the stage must be set before the play is produced, so must the whole advertisement be planned before financial or any other kind of advertising copy can be placed in its proper setting.

Planning the entire advertisement is largely a mechanical problem. To solve this problem you must know, through experience and careful experimentation, how to frame your advertisement so that it will catch the eye, and where to place it so it will be seen to best advantage.

No matter what may first attract the eye to an advertisement—frame, illustration, arrangement of headline and copy, or any combination of these things—once it is seen, every advertisement should have a center of attention to which the eye unhesitatingly goes. As a general rule this center of attention should, the writer believes, be the headline.

What kinds of headlines are most apt to attract attention to financial advertisements? How many of the following headlines will stop the reader?

"A Worthwhile Bank Account."

"Where Knowledge Counts."

"Our Large Capital and Complete Organization."

"Every Business Man Must Have a Bank Account."

"A Good Old Bank."

"Buried Treasure."

"72 Years of Service."

Not a single interesting approach in the entire lot. Not a single spark to stimulate the interest of the reader by so much as a flicker. Headlines of this type are no sooner seen than forgotten.

The advertisements to which the headlines just quoted belong were clipped from recent editions of newspapers of seven cities in widely separated localities of the United States and averaging well over 100,000 population. They are very representative of the type of financial advertising found in these newspapers.

By way of contrast here are some headlines that have real reader interest:

"How Much Have You Invested in Yourself?"

"What $50 a Month Invested in Safe Bonds Will Do."

"As a Widow How Would You Invest $10,000?"

"Is it Worth $25 a Month?"

"Your Trip Has Begun When You Come in to the New Travel Department."

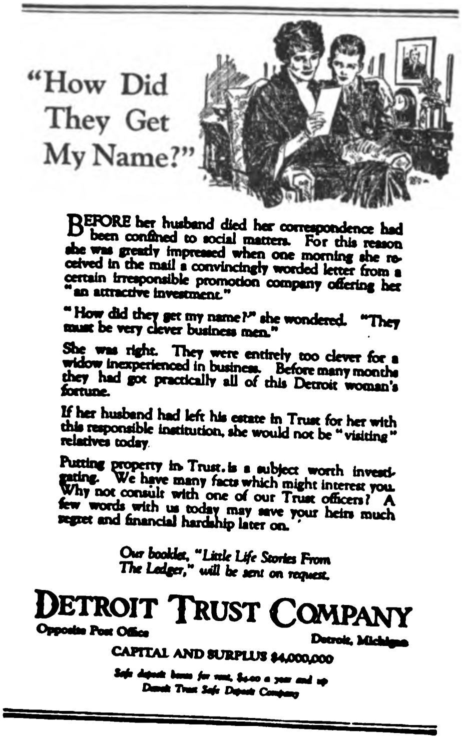
"At Night at The Union Trust."

"Saving Time for You in Handling Your Savings."

"A Matter of Minutes to London."

"How Did They Get My Name?"

Each of these headlines does one of the following things: it presents some definite idea from an unusually interesting approach—either as a straightforward statement or in the form of a question—or it appeals to the reader from the "you" and "yours" standpoint—*your* trip, saving time for *you*, how would *you* invest. "How," "What," "If" and "You." These are four of the most useful words in the English language to any writer of financial advertisement headlines.



An attention getting headline.

THE INTRODUCTORY COPY

Next to the headline, and of almost equal importance to it, come the introductory lines of the copy. If you are not able to interest the reader in what you are talking about in the first three or four lines of your copy, the chances are very much against his reading any further.

Note how the introductory copy in these advertisements gets down to business:

"Save $24,000 and have nearly $100,000 in 40 years—or save $15,000 and have $35,000 in 25 years. That's what $50 a month invested in safe bonds will do."

* * * *

"You can choose any spot on the globe and we will arrange your steamship transportation, your railroad transportation, and your hotel accommodations, if you wish. Moreover, we will assist you in procuring your passports and visas. Your passport photograph can be taken right here."

* * * *

"At three o'clock in the morning six mornings a week every week in the year a force of men is working at the Union Trust."

* * * *

There is no lost motion in the introductory copy of these advertisements. The copy gets under way without any preliminaries, and tells the reader something right off the bat.

If you can overcome the reader's inertia to the extent that you can get him to read your headline and the first few lines of your copy, you will have won your battle as far as interest and attention are concerned. Whether or not your advertisement—beyond this point—moves your reader to action of any sort will depend on what you say far more than on how you say it. If you have given your reader something that he feels can be useful to him in some way, your copy will justify itself. Otherwise all you will accomplish is to afford your reader a moment's passing diversion at your expense.

THE IMPORTANCE OF BEING SPECIFIC

Let us next consider headline and body copy as a unit. The writer believes that every financial advertisement should be as specific as possible. That it should try to present in tangible, definite form some idea, thing, fact or set of facts relating to the services of the institution which publishes it. That the copy should be presented in as interesting, direct, concise and understandable a form as possible.

As an illustration—suppose that you, as an exporter or an importer, are in a position to use the facilities of some bank's foreign department. Suppose you see an advertisement with the headline, "Equipped to Render Complete

Foreign Banking Service." The copy reads:

"The Blank National Bank, with its resources of umpty-ump million dollars and its strong connections abroad, is fully equipped to render every form of foreign banking service to its clients with a minimum of delay."

Does this mean anything specific to you? Does it give you any real impulse to action? Not very much.

But suppose this subject of foreign banking facilities is approached from an entirely different angle. Suppose we have a headline reading like this: "A Matter of Minutes to London," and copy reading:

"We must have £50,000 in London before the market closes, or suffer a loss," a commercial depositor telephoned us.

"It was then 9.30 a. m. in New York; 2.30 by "Big Ben" in London—and at three o'clock the London market would close.

"By 9.39 the customer's instructions had been written, the exchange figured and a statement prepared.

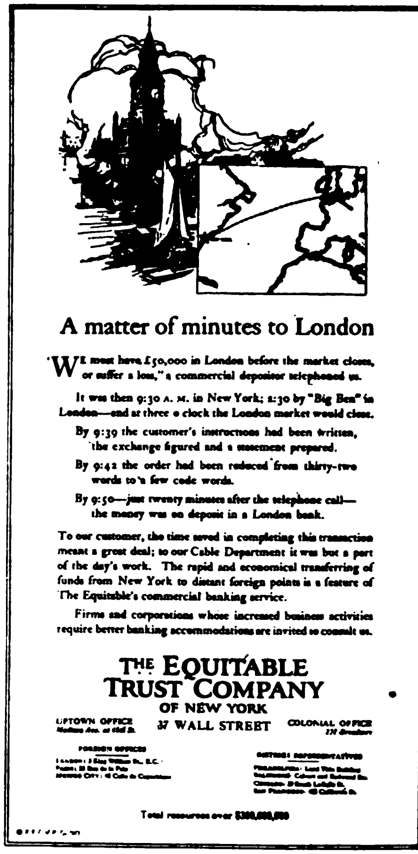
"By 9.49 the order had been reduced from thirty-two words to a few code words.

"By 9.50—just twenty minutes after the telephone call—the money was on deposit in a London bank.

"To our customer, the time saved in completing this transaction meant a great deal; to our cable department it was but a part of the day's work."

Here is outlined a specific service rendered with promptness and dispatch. Here something tangible is presented in a very direct, interesting and understandable manner.

As another example of what is meant by something tangible; by being specific—being concrete rather than abstract—here is another comparative example—an advertisement with the headline: "Facilities for Every Banking Need." The copy reads:



Presenting a specific service in an interesting manner.

"The long experience and unusual facilities of the Blank National Bank enable us to offer you complete accommodation for every banking need."

Nothing but vague generalities here.

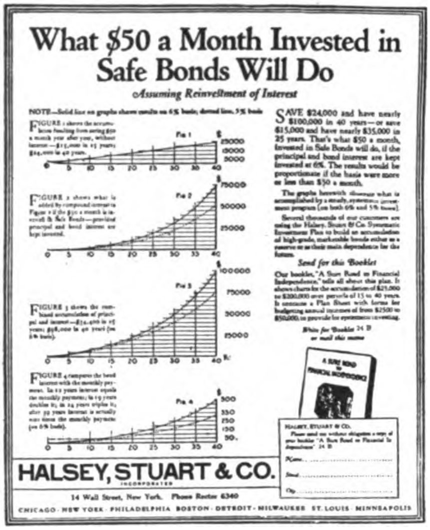
By way of contrast let us take this advertisement. The headline reads: "The Bank's Borrowers," and the copy starts right out with a positive definite statement on which it promptly proceeds to elaborate:

"On October 31 there was a total of 5061 loans on the books of the First National Bank.

"There were:

1316 for less than $1000.

1481 between $1000 and $5000.



Telling the reader something definite about investments.

1461 between $5000 and $25,000.
802 between $25,000 and $100,000.
463 between $100,000 and $500,000.
46 between $500,000 and $1,000,000.
32 of $1,000,000 or more.

"These figures did not include the direct mortgage loans, numbering 724. Of these 338 were for $5000 or less; the average amount was $13,330.

"For the seasonal demands of a small merchant, as well as for the financial needs of a great industrial enterprise, the resources of the First National Bank afford ample accommodation."

Here is another advertisement which tells the reader something specific. It is headed, "When Seconds Measure Profits." The copy reads:

"In the transmission of orders, modern business often demands instant action.

"At such times it is well to know of the unique service of the Union Trust:

"(1) Closely knit connections with over 1000 banks in all the larger cities of the country.

"(2) Private wires to twenty-eight of the country's largest industrial centers.

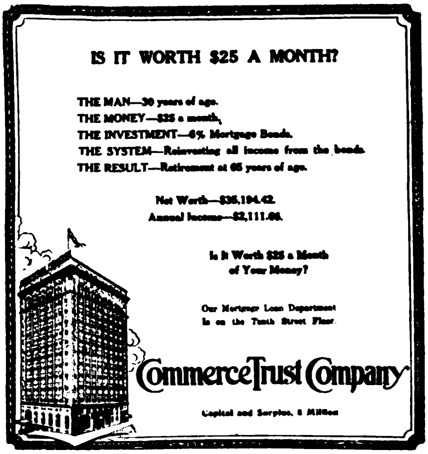
"(3) A private telegraph room connecting directly with the outgoing lines of both telegraph companies.

"(4) Direct action—merely a phone call from your office to us.

"As a customer of the Union Trust this service is at your command for the transaction of your banking business."

CLOSING THE COPY

What about closing the copy? It seems to the writer on this point that financial advertising copy, exclusive of savings copy, may be roughly divided into three classifications—copy which states its case and leaves the initiative in the matter entirely in the hands of the reader; copy which invites the reader to send for literature enlarging on whatever subject he has just been reading about, and copy which invites him to come in to your institution and consult one of your officers about his particular financial problems. On this latter point here is a suggestion. Banks could bring into their lobbies a number of prospective customers who might otherwise remain unmoved by what they have to say if, instead of making the general suggestion to their readers that the latter consult one of the officers of their bank, or an officer of their trust depart-

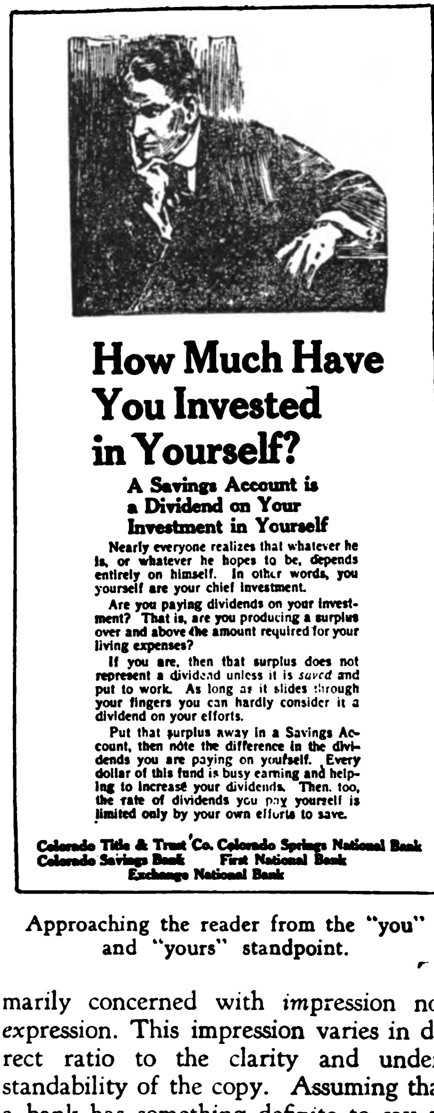


A complete story in condensed form. Understandable at a glance.

ment, or bond department, as the case may be, they suggested by name officers or an officer of their institution for whom the prospect could ask upon coming in to their lobby. This suggestion of an officer's name or the names of several officers would strengthen the invitation and make it more definite and far more personal.

TYPES OF APPEAL

Next comes that question of the types of appeal which are best suited to financial advertising copy. Banks are human institutions, and as such the quality of their services is of a variable nature. Bankers are in a position to know much better than anyone outside their respective institutions what particular branches of their financial service are most effective. If there is one particular phase of a bank's service that is exceptionally well developed, or if there is some particular department of that bank that stands out as being singularly proficient in the performance of its work, and if these can be profitably exploited—it would seem to the writer that the bank's cue is to hammer away at these points for all they are worth in its copy. One or two *very* good talking points, consistently and persistently played up, are worth ten, or even twenty *fairly* good talking points stressed only occasionally and at irregular intervals.



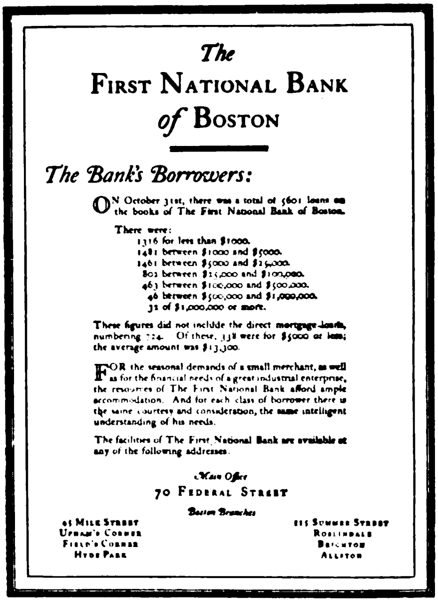
Approaching the reader from the "you" and "yours" standpoint.

THE QUESTION OF STYLE

On the question of the style of the copy, the matter may be looked at somewhat in this way. If you go into a man's place of business and try to sell him something, you don't start quoting passages from Galsworthy or Arnold Bennett in an attempt to stimulate his desire to buy your product. What you actually do is try to show him, in the simplest, most direct English at your command, how he can benefit by the purchase of what you have to sell. What the writer is getting at is this. In copy you are primarily concerned with *impression* not *expression*. This impression varies in direct ratio to the clarity and understandability of the copy. Assuming that a bank has something definite to say to start with—that bank's copy succeeds or fails in proportion to the readiness and ease with which its meaning can be interpreted in the minds of its readers.

SAVINGS COPY

What about savings and investment copy? Savings copy has, of course, undergone a marked change within the last ten years. The pendulum of the savings appeal has swung over from saving to



Concrete information about a bank's loans.

accumulate to saving to spend. The Christmas Club exemplifies this tendency. During this time that savings copy has departed in many ways from the straight inducement to thrift and has gone over to the "save for a definite purpose" idea, savings and the number of savers have continued to increase in a very encouraging manner. By getting away from the general indefinite appeal to thrift as such, and by offering definite inducements to save such as the Christmas and the Save to Travel Clubs afford, the banks have succeeded without question in adding many millions of dollars in deposits to their books which would not otherwise be there.

Now as to investment copy. The war taught that bonds could be sold to great masses of people and that advertising could play a highly important role in selling them. If you want to sell the untrained and inexperienced investor you *must* make your copy readable and understandable, and at the same time it must carry the ring of sincerity and conviction. This can be done and is being done effectively, without resort to the sensational or the spectacular.

What about the experienced investor? He is primarily interested in cold facts. Granted. But must they be given him in column after column of 6 or 8 point solid in a layout looking like a summons, a lease or an insurance policy? Facts are certainly no less facts because they are presented in readable, understandable and inviting form, and a presentation of the facts in this manner is not going to scare away even the most hard-boiled investor.

SUMMARY

Now, to sum up briefly the main points that the writer has tried to make clear. You must contrive to give your advertisement a position where it will be seen, and the headline and body copy must be placed in the advertisement in such a way that attention will be immediately attracted to them. The headline should have strong attention getting qualities. The copy should present some definite idea or fact relating to the services of the institution in an interesting and readily understandable form, and the reader should know by the time he has read the first three or four lines what you are going to talk about.

THE CHRISTMAS CLUB IDEA IN BOSTON

BY MILDRED JOHN

This is a statistical study of the Christmas Clubs of eight downtown banks of Boston. While conditions may differ in various parts of the country the experiences of these banks may be taken as being fairly typical of Christmas Clubs in general. Miss John, the author, is a fellow in the research department of the Women's Educational and Industrial Union of Boston.

FROM two hundred thousand to two million dollars is the ten-year record of the Christmas Club of one Boston bank. A pioneer in the field, this bank early recognized the value of this plan for saving, and established its first club in 1914. Within four or five years many of the other banks followed suit. "Now", as one banker phrased it, "a progressive bank must have savings clubs."

The plan originated over a century ago in Jeremy Bentham's Scotch "Frugality Banks," but it had little success. In 1905 the manager of a shoe factory in Carlisle, Pa., created a club for his employees in which they could deposit each week a stated sum that could not be withdrawn until the fiftieth week, just before the holiday season. The club was successful, and in 1907 the idea was offered to banks by the companies who were anxious to sell them the supplies, which were at that time in a form similar to the war savings stamp cards. A few banks responded, and it was found that, after the technical methods were changed and the coupon book was substituted for the stamp card, an increasing number of banks adopted the Christmas Club. The following table indicates the growth in the entire United States from 1913 to 1923:—

Year	Banks
1913	904
1914	3,605
1915	4,800
1916	5,160
1917	3,912
1918	5,361
1919	6,858
1920	10,864
1921	12,608
1922	16,204
1923	17,400

WAR ENCOURAGED DEVELOPMENT

The war had an important effect on the growth of the clubs because of the impetus it gave to the whole idea of thrift, and especially to that of systematic saving. By 1920 the larger proportion of Boston banks in the savings division had Christmas Clubs. Since that time the trust companies and national banks have instituted them, and it has now come to the point where banks are almost forced to have them in order to satisfy customers and create a new clientele.

Through the co-operation of eight of the downtown Boston banks, it has been possible to find answers to the following questions: How many people save in the Christmas Clubs, and how much do they save? What are their occupations and ages? Do more men than women save? What is the purpose of saving in this fashion? Does this device really encourage the thrift habit, or does it induce people to save in order to spend?

The organization of the clubs varies slightly in the different banks but certain features are common to all. A stated sum of money is to be deposited each week for fifty weeks, and cannot be withdrawn except in case of emergency need. At the end of the allotted time a check for the principal and interest—which amounts to about 2 per cent,—is mailed out. The weekly amounts deposited range from fifty cents to five dollars in most banks, although one bank has books that run as high as $100 a week. On the face of it this seems a trifling way of saving, but it is startling to find what an enormous amount is accumulated in these clubs. It is estimated that $314, 000,000 was saved in Christmas Clubs in the United States in 1925. The accompanying Table 1 and Chart I give an idea of what it amounted to in six Boston banks:

TABLE 1. NUMBER OF SAVERS AND TOTAL AMOUNT SAVED IN SIX BOSTON BANKS, 1920 TO 1925.

Year	Number of people in clubs	Total amount saved
1920*	37,585	$2,283,161.70
1921	40,524	2,470,355.34
1922	44,582	2,773,996.23
1923	47,970	3,108,630.38
1924	49,751	3,230,801.29
1925	48,074	3,071,029.71
Total	268,486	16,937,974.65

*Five banks **only.**

But even this could be increased if the banks took a more active interest in the work. Too many of them regard the Christmas Clubs merely as annoying demands for unprofitable services. They call them the bargain basements and bemoan the fact that banking must lower itself to such petty business. Three of the banks studied spend a good deal on their clubs, believing that they are more than good advertising schemes. The merchants, too, are beginning to encourage their employes to join these clubs, not only for the purely altruistic motive of stimulating thrift, but because they see that eventually much of the money comes back to them. One of the largest department stores in Boston has on its personnel staff a man who devotes his entire time to promoting thrift among the employes. Out of 5000 employes, 2500 have Christmas Club accounts which total about $175,000 a year. He attributes this astonishing success to the fact that he collects and banks the money

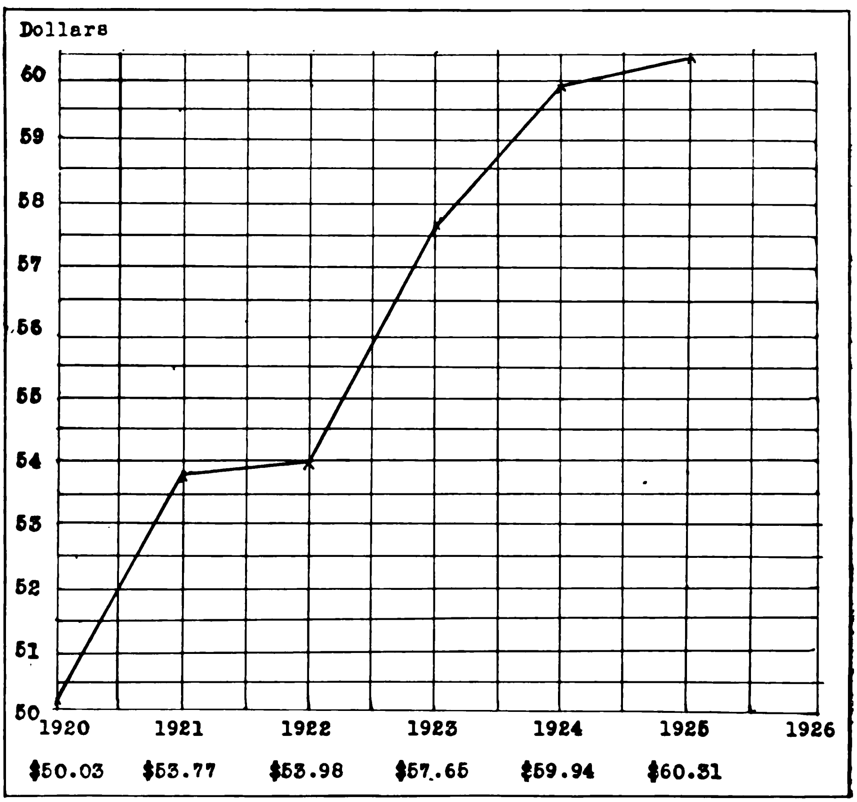


Chart 1. Per capita savings in Christmas Clubs.

himself; and many agree that if they had to go to the bank they would never save anything. Aside from that aspect of the question the merchants are interested in proper spending, and several feel that money that is saved is spent more carefully, much less is dissipated for trifles.

WHAT KIND OF PEOPLE USE CHRISTMAS CLUBS?

Quite naturally questions are raised concerning the types of depositors who save in this way. It was found that all the banks studied had a larger number of women than men depositors in their Christmas Clubs. (Chart II.) In four banks the percentage of women ran from 69 to 75; while in two it was but 54 and 55. This would seem to indicate that women are obliged to and are willing to save in smaller amounts than men. Men, it was found from interviews, are often ashamed to be seen at the Christmas Club window, and, as one man said, people who thought he was earning $45 would discover that he was getting only $20 a week.

Only one bank was found that had information about its depositors other than the ordinary signature cards. However, this data may be assumed to be typical, for it is confirmed by reports in the other banks studied. An analysis of 350 accounts selected at random from the files showed that the greatest number of savers were housewives. Next in order came clerks and stenographers. There was a noticeable lack of professional occupations, less than four out of the entire group. For the most part the

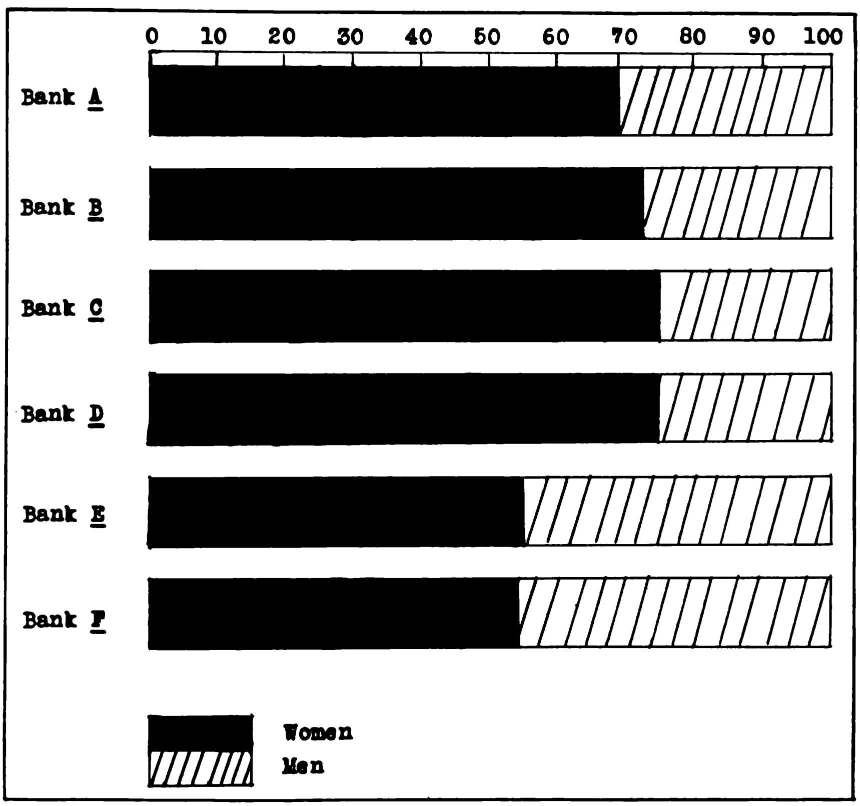


Chart II. Percentage distribution of men and women savers in Christmas Clubs in six Boston banks.

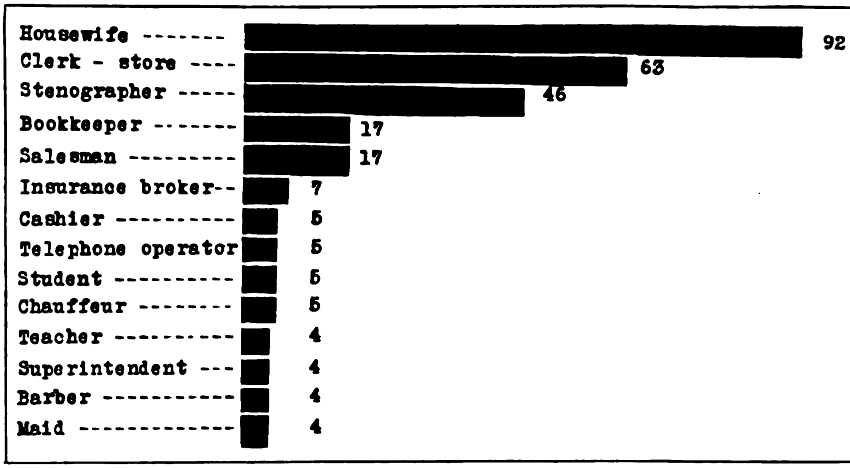


Chart III. Occupations of savers in a Christmas Club of a Boston Bank.

depositors were of the small-salaried or wage-earning class. (Chart III.) The age grouping showed that 38 per cent. were between the ages of 21 and 31 and that only 15 per cent. were over 45. (Chart IV.)

WHAT BECOMES OF CHRISTMAS CLUB MONEY?

In 1925 in the state of Massachusetts alone, checks were mailed out to Christmas Club members amounting to over

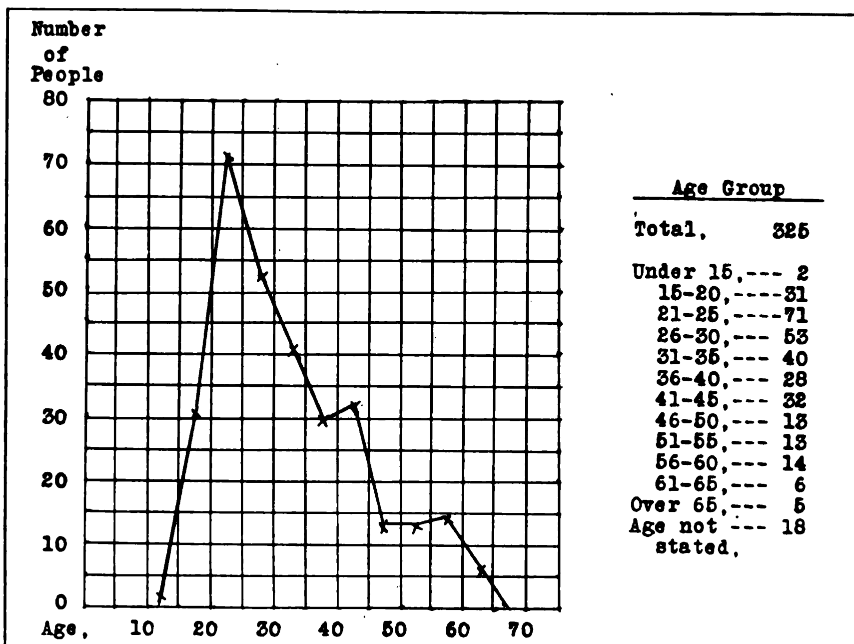


Chart IV. Ages of savers in a Christmas Club in a Boston bank.

$42,000,000,—a tremendous sum available for use in early December. It becomes imperative for both the merchants and bankers to know what becomes of this money. There is at present no accurate way of tracing the checks after they leave the bank, and no way at all of tracing the money after the checks have been cashed. The banks, of course, are primarily interested in the amount that is transferred to permanent savings, since one of the purposes of the Christmas Club, from the bank's point of view, is to act as a "feeder" to the regular savings department. Estimates have been made at the various banks which have been used by them in working out their plans, and so should be fairly correct. One bank figures that from 15 to 17 per cent. is transferred to permanent accounts, while three others say that 25 to 30 per cent. is redeposited.

The major portion of the money is, however, still unaccounted for. The only way it can be traced is through personal contact with the individuals who may be willing to reveal how it is spent. The persons in charge of the clubs have ample oportunity to know the depositors and learn from them the ways in which they intend to spend their money. They agree that at least half of the remaining 70 per cent. goes for necessities such as coal, insurance, taxes, and interest on debts. About 35 to 40 per cent. they say is spent for Christmas. Each bank has a different tale of remarkable accomplishment. One woman paid off the mortgage on her house; another, a widow was able to carry heavy insurance and so protect her children; while a third was buying a house with which to surprise her husband. The younger women save for clothes, fur coats particularly. Men save for insurance and taxes, and often accumulate money for their children's education. Even that part which is used for Christmas often goes for necessities —to buy mother a washing machine, or to give daughter a new coat. The Christ-

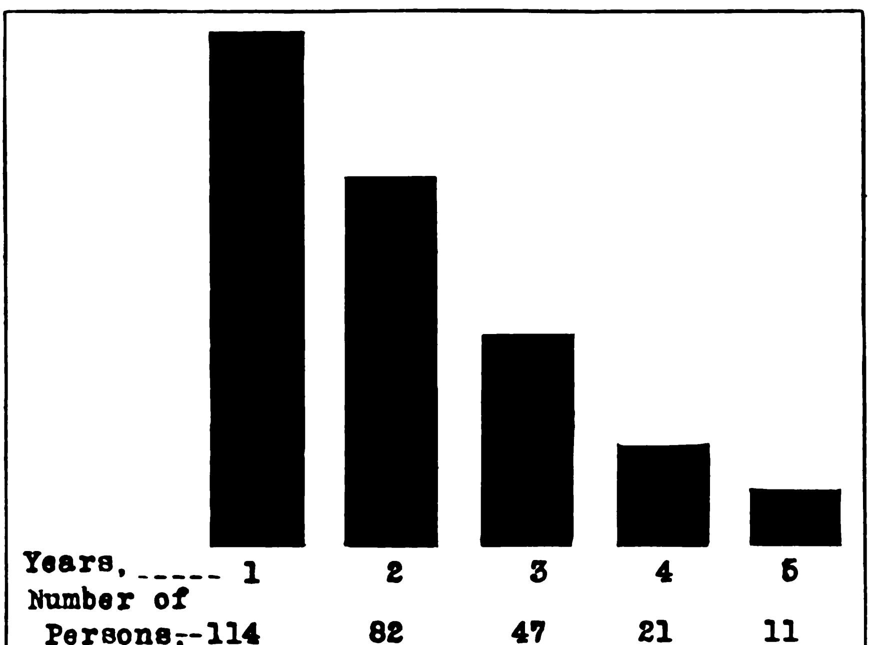


Chart V. Number of people reopening Christmas Club accounts. Five year record of 275 accounts.

mas Club makes easy the path of those people who would rather save to buy than save to pay.

That it encourages systematic savings is seen at a glance by the growth of the clubs in the last ten years. But whether it really becomes a habit is hard to tell. An examination of 275 accounts shows that 114 had accounts for one year and that only eleven out of the total number returned for five years. (Chart V.) This may be due to the fact that some members opened accounts in other banks, or that they died or moved away. The evidence seems to indicate that, as it stands, the Christmas Club is a temporary device used mostly by young people, and that its rapid growth has been promoted by group savings.

REALTY FINANCING IN 1926 WILL SET NEW RECORD

REALTY financing in the United States will set another new high record in 1926, according to the building economic research bureau of the American Bond & Mortgage Company, which estimates that the volume of real estate mortgage bond flotations during the year will total approximately $900,000,000.

Statistics made public by the bureau showed that the leading investment houses have been underwriting realty issues at the rate of $60,000,000 a month promising an annual volume of $720,000,000. Financing done by the hundreds of small local houses spread over the country, whose underwritings range from $1500 to $250,000, it was estimated will aggregate from $150,000,000 to $200,000,000.

"During the first ten months of the year," it was stated, "approximately $611,196,000 worth of real estate mortgage bonds were offered to the investing public by the larger investment houses, as compared with $560,087,000 in the same period in 1925, a gain of slightly more than 9 per cent. The volume of new issues for the last two months undoubtedly will increase this amount to at least $700,000,000, surpassing the record breaking volume of $685,294,800 recorded in 1925.

"The recent slackening in the volume of building operations has not been felt in the realty bond market and the demand for new capital for apartments, apartment-hotels and other types of buildings continues strong. The situation, however, calls for caution and good judgment in financing new construction, although the importance of declines in rents and vacancies as have been reported from various sources during the year undoubtedly have been unduly exaggerated. Lending institutions must guard against the possible economic blunder of over-production by pursuing a policy of critical conservatism, with the investors' safety paramount in mind.

"Survey of the building situation reveals that there is still a considerable unsatisfied demand for certain types of buildings throughout the country, especially those that are well located as to light and accessibility. Where there actually is what might be termed an over-built situation, it is so obvious that no reputable building or lending institution will lend its efforts or money to aid or abet further building in that particular district. There is nothing in the present situation that would justify anxiety or jeopardize the interests of investors in real estate bonds, safe-guarded and sold by reputable investment houses, and the wonderful record made by real estate securities during the last year should be maintained in 1927.

"Realty figures compiled by the

research bureau do not include the enormous purchases of real estate mortgages made during the year by insurance companies, fraternal organizations, and other similar financial enterprises for their own account. In New York, banks and insurance companies alone took $243,420,000 in 1925. Life insurance companies, which at the end of the year of 1925 held real estate mortgages amounting to more than $4,823,000,000 or 42 per cent. of all their admitted assets, have increased their investments in mortgage loans 130 per cent. in the last five years. Heavy purchases have also been made this year by insurance companies who have found real estate mortgage loans the safest and highest yielding type of investment—one large company alone underwrote $123,218,000 in real estate bonds during the first ten months.

"Another important development of the year has been the growing realization on the part of bankers of the bankable desirability of real estate mortgage bonds. Today it is estimated that at least 5000 banks are handling first mortgage bonds, either as underwriters or dealers. The element of safety and high yield has made this type of bond attractive to the banks and the investing public.

"Review of statistics shows that real estate mortgage bonds have had a phenomenal increase in popularity since 1919, when it is estimated that only $57,458,000 worth of this type of security was absorbed by investors. Since that time the increase in volume has been steady and today it ranks next to public utilities as the greatest investment outlet for capital.

"Available figures indicate that during the last eight years somewhat more than $2,170,000,000 of mortgage bond issues have been offered the investing public.

"In 1925 the volume of realty flotations equalled approximately 72 per cent. of the amount for public utilities, and exceeded railroad bond issues by more than $321,232,000. The volume of real estate issues for the first ten months of this year equalled approximately 62 per cent. of public utility flotations, and exceeded railroad issues by more than $285,000,000.

"An interesting development in the realty bond field during the last few months has been the offering of an European issue, to finance the erection of apartment buildings in Berlin, guaranteed by a group of important German insurance companies. This is the first time that any foreign financing of this type has been done in this country and the experiment is being watched with considerable interest by real estate bond houses, who have kept out of the European realty field because of unsettled economic conditions."

Real estate financing has been an outstanding influence in our present period of prosperity and financial progress, according to W. J. Moore, President of the American Bond & Mortgage Company.

"In furnishing funds for the financing of needed building construction, realty bonds have made a widespread contribution to the business prosperity of the country," said Mr. Moore. "Proceeds of these mortgage securities go through a variety of channels, putting new life and blood into the veins of commerce. Millions of dollars are provided for wages and employment in the building trades, and the thousands of men engaged in manufacture and transportation of building materials. Thus the purchasing power of the workers is increased and business generally is stimulated and benefited.

"Real estate bonds have stood the test of time and their popularity can be attributed to the intelligence of investors who now fully realize the soundness of this type of security, as such bonds remain unchanged by economic and political disturbances. When safeguarded by responsible security houses, they meet every requirement of safe, profitable and carefree investment."

RIGHTS OF OWNER OF DRAFT ON FAILURE OF COLLECTING BANK

Cottondale Planting Co. v. Diehlstadt Bank, Springfield, Missouri Court of Appeals, 286 S. W. Rep. 428.

THE plaintiff company drew a draft for $1000 upon one of its customers, payable to the order of the defendant bank, and delivered the draft to the bank. The amount was credited to the plaintiff company's account and it appeared that the plaintiff was entitled to check against the credit if it desired to do so. It also appeared that the defendant bank had the right to charge the amount of the draft back against the plaintiff's account in the event of its dishonor. It was paid by the drawee and the proceeds were received by the Federal Reserve Bank of St. Louis, which credited the amount to the defendant bank's account. On the same day on which the draft was paid, the defendant bank closed its doors and its affairs were taken over by the state banking commission. It was held that the bank became the owner of the draft and the plaintiff's debtor for the amount rather than the plaintiff's agent for collection and that, therefore, the plaintiff was not entitled to a preference over the other creditors but was a general creditor only.

Action by the Cottondale Planting Company to have a demand against the Diehlstadt Bank, in the hands of the commissioner of finance for liquidation, allowed as a preferred claim. The circuit court refused to give such demand preference, and plaintiff appeals. Affirmed.

OPINION

BRADLEY, J.—This is an action to have allowed as a preferred claim a demand against the Diehlstadt Bank in the hands of the commissioner of finance for liquidation. The court below refused to give the demand preference, and this appeal followed.

Plaintiff's claim for preference is based on two theories, and these are stated in separate counts in the petition. The first theory is that in handling the draft in question the relation of principal and agent, and not that of debtor and creditor, existed. The second theory is that, even though the relation of debtor and creditor was created by the transaction respecting the draft, plaintiff is nevertheless entitled to a preference on the ground that defendant bank was hopelessly insolvent, and was so known to be by its officers when the draft was received by it.

The cause was tried on an agreed statement of facts, supplemented by some additional parol evidence respecting the question of insolvency of the bank, and the manner of handling plaintiff's account, checks, and drafts. The facts agreed upon appear in two separate statements, designated as Plaintiff's Exhibits 1 and 2. These exhibits are as follows:

"It is stipulated and agreed by and between the plaintiff and the defendant that on May 2d the defendant, Diehlstadt Bank, now in the hands of the state finance commissioner for liquidation, received from the claimant, Cottondale Planting Company, a certain draft, attached hereto and marked Plaintiff's Exhibit A, which draft was forwarded by the Diehlstadt Bank to the National City Bank of St. Louis, Mo., its correspondent, for collection and returns; that the National City Bank of St. Louis, Mo., in turn forwarded same through ordinary channels to Memphis, Tenn., where said draft for $1000 was accepted and paid by the drawee, Cheatham Cotton Company, of Memphis, Tenn., on May 6, 1925, to the Memphis branch of the Federal Reserve Bank of St. Louis; that the proceeds of said draft were for-

warded by the Memphis branch of the Federal Reserve Bank of St. Louis, in St. Louis, Mo., on May 7, 1925, which then credited the account of the Diehlstadt Bank, this defendant, in that sum on said May 7, 1925.

"It is further stipulated and agreed that the defendant, Diehlstadt Bank, closed its doors on May 6, 1925, at 10 o'clock a. m., and has not since said date reopened its doors for business, but has since that time been in the hands of the state finance commissioner of the state of Missouri, for the purpose of liquidating its affairs; that on the 6th day of May, 1925, the date the said Diehlstadt Bank closed its doors, the said Diehlstadt Bank had on hands cash or cash items in the sum of $608.69, and had on hand in the National City Bank of St. Louis, Mo., or in other banking institutions, subject to immediate check, the sum of $698.62. It is further stipulated and agreed that, during the night of May 5 and 6, 1925, the cashier of said Diehlstadt Bank, George F. Simpson, committed suicide, and that immediately thereafter said institution closed its doors."

The draft mentioned as Exhibit A in the statement, omitting the indorsements, is as follows:

"Diehlstadt Bank.

"Customer's Draft. Diehlstadt, Mo., 5/2, 1925.

"At sight pay to the order of Diehlstadt Bank $1000.00, one thousand and no/100 dollars, value received, and charge the same to account of Cottondale Planting Company.

"S. L. Pake.

"To Cheatham Cotton Company, Memphis, Tennessee."

The additional agreed statement designated as Exhibit 2 is as follows:

"It is agreed by the parties named above, through their respective attorneys, that this case shall be submitted to the court on the following agreed statement of facts.

"First. That claimant, Cottondale Planting Company, is engaged in business at Diehlstadt, Mo., as a partnership.

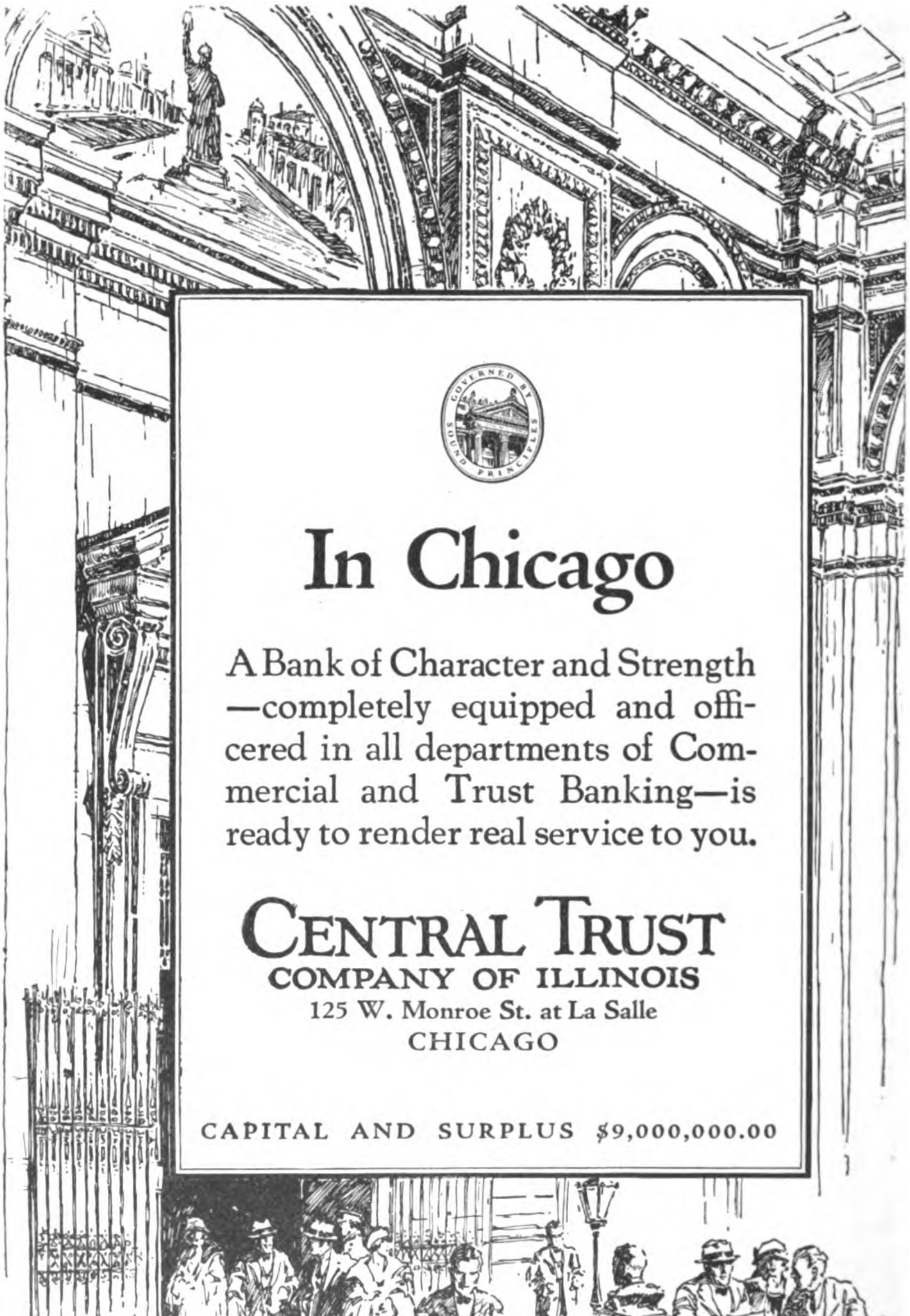
"Second. That said claimant drew a draft upon the Cheatham Cotton Company, of Memphis, Tenn., in the sum of $1000, which draft was given to the Diehlstadt Bank for collection on May 2, 1925, for the account of this claimant

"Third. That said Diehlstadt Bank forwarded said draft to its correspondent, the National City Bank of St. Louis, for collection, and immediately gave credit to said Cottondale Planting Company for $1000, this credit being placed with demand deposits of said claimant; said claimant being a regular customer and depositor in said Diehlstadt Bank.

"Fourth. That the Diehlstadt Bank closed its doors after the aforesaid draft of $1000 was received by it for collection; State Bank Examiner C. M. Duncan having taken charge of said bank on May 7, 1925. Said bank is now in process of liquidation.

"Fifth. That said Diehlstadt Bank was, on and before May 7, 1925, a banking corporation duly organized under the banking laws of the State of Missouri, doing a general banking business at Diehlstadt, Mo."

It appears from the facts (1) that plaintiff was a regular customer and depositor of the defendant bank; (2) that defendant bank was the payee named in the draft; (3) that plaintiff, at the time the draft was presented, was given credit for the amount thereof; and (4) that this credit was given plaintiff in its demand deposit account. It appears from the parol evidence that plaintiff had the right to check on its demand deposit account, wherein the amount of the draft was credited, if it desired to do so, and it also appears that defendant had the right to charge back to plaintiff the amount of the draft, if it were not paid. Such was the understanding and practice between plaintiff, as customer and depositor, on the one hand, and defendant bank, on the other. It appears that plaintiff's balance during the interim from the time the draft was presented


GOVERNED BY SOUND PRINCIPLES
In Chicago
A Bank of Character and Strength —completely equipped and officered in all departments of Commercial and Trust Banking—is ready to render real service to you.
CENTRAL TRUST
COMPANY OF ILLINOIS
125 W. Monroe St. at La Salle
CHICAGO
CAPITAL AND SURPLUS $9,000,000.00

until the bank closed was not below $1000, but this fact would not change the effect of plaintiff's right to check on the account, if it desired to do so.

Plaintiff's contention is this: Where a bank credits the account of a depositor with the amount of a draft, and allows the depositor to check against the same, if there is an agreement that the bank may charge back the amount of the draft, if not collected, the bank, in such case, would not become the owner of the draft, and the relation of debtor and creditor would not be created, but the relation created would be that of principal and agent.

Midwest National Bank & Trust Co v. Parker Corn Co., 211 Mo. App. 413, 245 S. W. 217, was an action to recover the amount of a draft which had been credited in the demand deposit account of a customer. The facts, as they appear in the opinion, are these: There was an agreement between the bank and the corn company, and a course of dealing, whereby the corn company would deposit with the bank for collection drafts payable to the bank, and the bank would immediately give the corn company credit for the amount of the draft, and allow the corn company at once to check against such credit or deposit. It was further agreed that the bank should receive a collection fee of so much on the $100, and in addition thereto interest on the draft during the time that should elapse between the deposit of the draft and the time the bank received the money thereon. If a draft was dishonored, it was to be protected, and the corn company notified, and upon the return of the draft to the corn company that company would reimburse the bank The bank handled on an average of 10 such drafts per day for the corn company. There was subsequent modification of this agreement, but the modification does not affect the principle involved.

While the agreement and course of dealing stated above existed, the corn company sold a car of corn to one Livingston at Center Junction, Iowa, and Livingston resold to Norris at Center Junction. The corn company shipped the corn to Center Junction, and a draft was drawn on Norris, payable to the bank, and bill of lading attached. This draft was not honored. Then the corn company sold to Beckwith & Inglis, at Wyoming, Iowa. The corn company followed the usual custom, and drew its draft on Beckwith & Inglis in favor of the bank, in the sum of $1290.90, to cover the purchase price of the corn. Attached to this draft was a shipper's order bill of lading, indorsed in blank by the corn company. The bank gave the corn company credit for the amount of the draft, indorsed the same, and forwarded it and the bill of lading in the usual way. The draft was not paid, and the bank at first made various endeavors to collect from sources other than the corn company, and did not, according to the corn company's president, demand repayment from the corn company, or charge its account with the amount of the draft, until after the lapse of about a year and six months.

On these facts it was held that the draft was received for collection only, and that the relation created between the bank and the corn company was that of principal and agent, and not that of debtor and creditor. In making disposition of the question there at bar, the court used this language.

"We do not think that, under the facts in this case, the plaintiff became at any time the owner of the draft and bill of lading. The draft was taken by plaintiff for collection. The fact that it credited defendant's account with the amount of the draft, and permitted defendant to draw checks against it immediately and before collection was made, would not create the relation of debtor and creditor between defendant and the bank. It was agreed, if collection was not made, the amount of the draft should be charged back. Under such circumstances the bank treats the deposit as merely provisional, and in case collection is not made the bank reserves the right to charge back the amount credited. 3 R C. L. 522, 523; Midland National Bank of [Kansas City v.] Brightwell, 148 Mo. 358 [49 S. W. 994, 71 Am. St. Rep. 608]; Brigance v. Bank of Cooter [Mo. App.] 200 S. W. 668."

See, also, Citizens' State Bank v. Ferson (Mo. App.) 208 S. W. 136; Bank of Buchanan County v. Gordon (Mo. App.) 250 S. W. 648; Southwest National Bank v. House et al., 172 Mo. App. 197, 157 S. W. 809.

The controlling feature underlying the rulings in some of the cases is stated in Citizens' State Bank v. Ferson, supra, to be the agreement existing between the bank and the one who presents and receives credit for a draft. In that case the court says:

"The question as to whether the drafts were deposited for collection only or for credit is one of agreement between the bank and the depositor. Mudd v. Bank, 175 Mo. App. loc. cit. 403, 162 S. W. 314; [Jefferson] Bank v. Refrigerator Co., 236 Mo. loc. cit. 415, 416, 139 S. W. 545. In some cases it is held that, if the draft or deposit is entered as a deposit only as a matter of convenience, intending that it shall be a deposit after collection, the title will not pass to the bank until after collection is made. But that the bank may take title immediately, with the intention to attempt collection, with the intent to charge back the amount in case collection is not made, is well established. Haas v. Kings Fruit Co. [Mo. App.] 183 S. W. 676; Scott v. McIntyre Co., 93 Kan. 508, 144 P. 1002, L. R. A. 1915D, 139. So the fact that the bank took the drafts on the strength that they would be paid, and intended to collect them if possible, would not conclusively show that the bank had not purchased the drafts."

Above we have stated the position and contention of plaintiff, and have cited the cases upon which plaintiff relies. Defendant contends that, where a bank credits a depositor's account with a check or draft, and the depositor is allowed to check against the same or has the right to do so, the bank becomes the owner of the draft or check, even though the bank has reserved the right to charge back the amount of the draft or check, if not collected, and that in such case the relation established is that of debtor and creditor, and not that of principal and agent. To support this contention, defendant cites Ayres v. Bank, 79 Mo. 421, 49 Am. Rep. 235; Hendley v. Globe Refining Co., 106 Mo. App. 20, 79 S W. 1163; Flannery et al. v. Coates et al., 80 Mo. 444; Dymock v. Bank, 67 Mo. App. 97; Burrton State Bank v. Pease-Moore Milling Co., 163 Mo. App. 135, 145 S. W. 508; Midland Nat. Bank v. Roll, 60 Mo. App. 585; Kavanaugh v. Bank, 59 Mo. App. 540; Jefferson Bank v. Refrigerator Co., 236 Mo. 407, 139 S. W. 545; Haas v. Fruit Co. (Mo App.) 183 S. W. 676; Renfrow Com. Co. v. Northrup Co. (Mo. App.) 222 S. W. 487; Howard Co. v. Bank, 198 Mo. App. 284, 200 S. W. 91.

To our mind the strongest case tending to support plaintiff is Midwest Nat. Bank & Trust Co. v. Parker Corn Co., supra, the facts of which we have stated; and in that case, in addition to the agreement to charge back, the bank was to receive a collection fee, and charged interest on the amount of the draft from the time of the deposit until the draft was paid. It is our conclusion that defendant's contention under the facts here is correct, and that the authorities cited support the conclusion reached. A recent case somewhat to the point here under consideration is Townsend Wholesale Grocery Co. v. Chamberlain Canning Co. (Mo. App.) 277 S. W. 958. But we do not think that any rule is announced therein contrary to our conclusion here. Such being our conclusion, we hold that under the facts defendant bank became the absolute owner of the draft deposited, and that by the transaction and the general course of business between plaintiff and defendant, as shown by the agreed statements and the parol evidence, the relation of debtor

and creditor was created when the draft was deposited, and not that of principal and agent.

We do not deem it necessary to deal in extenso with plaintiff's second theory of contention, viz., that at the time the draft was deposited defendant bank was hopelessly insolvent, and was so known to be by its officers, and that for this reason a fraud was perpetrated upon plaintiff, and, such being the case, plaintiff has the right to rescind and follow the money deposited, even into the hands of the commissioner of finance. If the facts were as plaintiff predicates, then the right asserted would obtain. St. Louis-San Francisco Railway Co. v. Millspaugh (Mo. App.) 278 S. W. 786. But the question of knowledge on the part of the officers of defendant bank's insolvency at the time the draft was deposited was, under the record, clearly a question of fact. This question of fact being found below adverse to plaintiff, we cannot interfere.

The judgment denying a preference should be affirmed; and it is so ordered.

COLLECTING BANK NOT LIABLE FOR CORRESPONDENT'S NEGLIGENCE

Bank of Hunter v. Gros, Supreme Court of Arkansas, 286 S. W. Rep. 1032.

The question whether a bank which receives a check for collection is responsible for the negligent acts of the correspondent banks through which the collection is accomplished is one upon which the courts of the different states do not agree. In most of the states in which the question has arisen, it has been decided that there is no such liability on the part of the collecting bank, provided it uses proper care in the selection of its correspondents.

In four states, namely, Arkansas, Florida, Georgia, and Montana, statutes have been adopted which expressly provide that a collecting bank is not liable for the negligence of its correspondent banks except where the loss is due to the collecting bank's want of diligence.

The Arkansas statute is applied in the present case. This statute provides that the collecting bank, having used proper care in the selection of a correspondent "shall not be liable for the default of such correspondent or of any sub-correspondent selected by the latter." It appeared that the plaintiff drew a draft against a shipment of a car of rice on a party in Loreauville, La., attached it to a bill of lading and delivered it to the defendant bank at Hunter, Ark., for collection. The defendant bank sent the draft to its correspondent at Little Rock, which in turn forwarded it to a bank at Loreauville. The drawee refused to accept the car of rice covered by the bill of lading and refused to pay the draft. Through a mistake, the bank at Loreauville returned the draft without protesting it. The rice was subsequently sold at a loss and the difference was charged back against the plaintiff's account. The bank subsequently refused to pay checks, drawn against the account by the plaintiff. The plaintiff thereupon brought suit against the bank to recover the amount lost on the shipment of rice and the further sum of $5000 damages for refusing to pay the checks drawn by the plaintiff. It appeared that there was no negligence on the part of the defendant in the selection of its correspondent and it was held, under the statute above referred to, that the bank was not liable.

Suit by J. B. Gros against the Bank of Hunter, in which the State Banking Commissioner was substituted as defendant, and Loretta O'Keefe Gros, plaintiff's administratrix, was substituted as plaintiff. Decree for plaintiff, and defendant appeals. Reversed, and action dismissed.

J. B. Gros brought this suit in the circuit court against the Bank of Hunter to recover $2261.45, alleged to be due him on checking account, and in the sum of $5000 for damages for the wrongful refusal of said bank to cash his checks when he had sufficient funds on deposit with which to pay the same. The Bank of Hunter became insolvent, and the state banking commissioner was substituted as the defendant in the action. Without objection, the case was transferred to equity and tried there Before the trial J. B. Gros died, and Loretta O'Keefe Gros was appointed administratrix of his estate. The material facts are as follows:

In January, 1920, J. B. Gros was a rice buyer in the vicinity of Hunter, Ark. On the 29th day of January, 1920, J. B. Gros purchased a car of seed rice from Dr. Burns. Gros shipped the car of rice to C. Snoke, Loreauville, La., and drew a draft on him for $4754.45 in payment of the car of rice. The draft on Snoke was attached to the bill of lading, and the same was deposited to his credit in the Bank of Hunter. The Bank of Hunter issued to him a deposit slip, showing the amount of the deposit. A check was at once drawn against this account, payable to Dr. Burns, for $4,080.22, which was the purchase price of the rice in question. The Bank of Hunter immediately forwarded the draft to J. B. Gros for collection to its correspondent, the American Bank of Commerce & Trust Company of Little Rock, Ark.

About the 1st of March, 1920, the draft, with the bill of lading attached, was returned to the Bank of Hunter by its correspondent. The cashier of the Bank of Hunter communicated with J. B. Gros, and Gros, after looking over the draft and bill of lading, requested the cashier of the Bank of Hunter to return the draft with the bill of lading attached to the bank at Loreauville, La The draft was then returned to the Bank of Hunter duly protested, for the reason that Snoke refused to receive the car of seed rice, claiming that it was not up to sample. The cashier of the bank at Loreauville, La., wrote the Bank of Hunter that the draft was returned by it the first time to the correspondent of the Bank of Hunter because the rice was not received by Snoke on account of not being up to sample.

With the knowledge and consent of J. B. Gros, the car of rice was sold for what it would bring, and the proceeds were credited to an overdraft to the account of J. B. Gros, in the Bank of Hunter. J. B. Gros had other transactions with the Bank of Hunter, and drew checks on the bank on the theory that the bank was liable to him for the full amount of his draft on C. Snoke for the car of rice. The bank refused to pay the checks, on the theory that it was only responsible to J. B. Gros for the amount which he received for the sale of the car of rice at Loreauville, La., which was sold with the knowledge and consent of Gros. The chancellor found the issues in favor of the plaintiff, and rendered a decree against the defendant for $2939.85. An appeal was duly prosecuted to this court.

Roy D. Campbell, of Cotton Plant, for appellant.

Bogle & Sharp, of Brinkley, for appellee.

OPINION

HART, J. (after stating the facts as above). The correctness of the decree of the chancellor depends upon the construction to be given to an act of the General Assembly of 1921, amending the original act for the organization and control of banks. General Acts 1921, p. 514. Section 14 of the act is set out in full in Farmers' & Merchants' Bank v. Ray, 170 Ark. 293, 280 S. W. 984, and need not be repeated here.

In this case the court held that, under the section referred to, a bank receiving for collection a check or draft payable in another city or town, and having employed reasonable care to select a proper correspondent, is not liable for the default or negligence of such correspondent in the collection of the check or draft. The evidence in this case was not sufficient to warrant the chancellor in finding that the Bank of Hunter was guilty of any negligence in the selection of its correspondent, and it did not warrant a finding that there was any negligence on the part of the Bank of Hunter in forwarding the draft for collection.

The undisputed evidence shows that the Bank of Hunter forwarded the draft for collection through its correspondent in Little Rock in the regular course of business, and that the draft was at first returned uncollected without being protested, but that this was not through any default on the part of the Bank of Hunter. It happened simply through a mistake in the Louisiana bank to which the Little Rock correspondent of the Bank of Hunter had forwarded the draft for collection. Immediately on the return of the draft, the Bank of Hunter notified Gros, and, pursuant to his directions, sent the draft to the Louisiana bank for collection. The draft was then returned by the Louisiana bank, duly protested for nonpayment, because Snoke refused to receive the car of rice and pay for same, claiming that it was not up to standard. These facts show that there was no negligence whatever on the part of the Bank of Hunter, and for that reason, under the rule in the case above cited, the Bank of Hunter was not liable to Gros.

It follows that the decree of the chancery court must be reversed, and inasmuch as the facts appear to have been fully developed, the cause of action will be dismissed.

THE INTEREST OF BANKERS IN STABLE MONEY

By Irving Fisher

Following are some extracts from an address before the Bankers and Bank Clerks' Mutual Benefit Association at Pittsburgh, Pa. The author is professor of economics at Yale University, and has long been an advocate of a stabilized dollar.

THE president of a very successful business recently told me, with great earnestness, that the future great benefactors of mankind would be not the preachers, nor the teachers, nor even the physicians, but the big business men.

I have come to believe that there is much truth in this idea, although I was brought up on the hard-boiled doctrine that business and philanthropy could never be mixed.

Business is today realizing, as never before, that it has responsibilities to the public. In particular, the banker is realizing that his function is not merely to strive for private profit, but to render, as well, a public service.

For several generations, the Bank of England, though nominally a private bank, has been increasingly regarded by the public and by itself as existing for the good of English business in general. In a special sense, all large banks and all central banks are public service institutions. Our own Federal Reserve System is no exception. In fact, it seems as if it were destined to become, if indeed it has not already become, the greatest public service organization in the world.

Among other important public services it is performing for the world the invaluable service of stabilizing the value of gold. It is not generally realized that on the policy and conduct of the Federal Reserve System, and the thousands of banks associated with it, now largely depend the stability of the American gold dollar, the stability of the value of gold money throughout the world, and the stability of world business and industry.

In times past, the banker might pursue his private profit freely without being troubled by any thought of the effect of his transactions on the purchasing power of the dollar, the price level, and general business conditions. But, today, he cannot escape some thought of such effects; for, today, every banking transaction, as it affects the volume of credit in use, tends to affect the value of gold, the general level of prices and general business conditions.

There are two special reasons for this changed situation. One of these is the growth in the last century of bank credit; the other is the recent increase in our gold reserve.

First as to bank credit: the contrast between present and former conditions is startling. Originally, of course, a gold dollar derived its worth as money from its worth if melted into gold bullion, available for use in jewelry, gilding, or dentistry. Every dollar of bank credit was supposed to derive its value from the fact that it was redeemable in gold.

In those days, banking was too small a factor to affect appreciably the value of gold. Bank credit, that is, deposits and checks against them, was a small tail to the large bullion dog. That is, the value of the gold dollar, or sovereign, was determined almost entirely by the use of gold in the arts. But today, the tail is wagging the dog, because the tail is several times as big as the dog. Today, in Anglo-Saxon countries, bank credit and currency perform from 80 to 90 per cent. of the money function in our commercial system, and this money function is incomparably more important than the goldsmith's market.

Today, therefore, it is the volume of credit in use that determines the value of gold bullion rather than vice versa.

We turn now to the other and more recent factor, our present overgrown gold reserve. During the last few years, the gold reserve of our Federal Reserve System has been about double the minimum requirements of the law or of prudent banking. Thus the danger of the reserve approaching or falling below these minimum requirements has not hampered, and has scarcely even been considered by, the Federal Reserve banks in their granting of credit on rediscounts or in their sales or purchases of Government securities and commercial acceptances in the open market. The old guide of banking policy, the gold reserve ratio, is gone—for the present, at least. If the Federal Reserve banks now chose to follow the old rule of conduct and policy they would extend credit enough to take up the slack and so to reduce the reserve ratio to near 40 per cent. But if they did this they would inflate prices to double the present level, and we would have a repetition of the disastrous joy ride of 1919 and 1920.

Rather than permit such a runaway inflation, the Federal Reserve System felt compelled to ignore the reserve ratio as a guide, and virtually to substitute a new criterion, that of stability—"to accommodate business." Under this new policy the Federal Reserve System considers what is going to be the effect upon business conditions rather than upon the reserve ratio of (1) its open market purchases and sales, (2) the changing of its rediscount rate, (3) its practice as to putting gold certificates into circulation in place of Federal Reserve notes or vice versa, and (4) its advice and moral influence. The reserve banks have foregone the profit they might have made by encouraging rediscounts and by buying securities and acceptances to the limit; they have in effect kept one half of their gold idle; and all this in an effort to prevent undue inflation or deflation, and so to stabilize general business conditions for you and for me and all of us. For four years we have had a roughly stablized dollar.

BANKING AND FINANCE ABROAD
AND
INTERNATIONAL BANKING NOTES

THE FINANCIAL AND ECONOMIC SITUATION ABROAD

By William Hayes

Under this heading each month current political, financial and economic events abroad are summarized for the benefit of the busy bank executive who would keep himself informed about foreign affairs without the expenditures of time necessary to examine the data from which these articles are prepared.

The *belga* was born on October 25. Since that date Belgium has been once more on a gold basis. For the belga is Belgium's new monetary unit, with a gold value of .209211 grams, and will henceforth be used in all external exchange operations with Belgium. It is exchangeable for Belgian francs at the rate of five francs for one belga, and is worth 13.88 cents.

Back of this simple operation are many months of work and planning by M. Franck, Governor of the National Bank of Belgium, and M. Franqui, Minister of Finance. That is perhaps why the belga has been referred to by some as the "Franck-Franqui franc."

In July the King was appointed dictator to accomplish this stabilization. Some of the old war measures, such as the using of whole wheat in bread, were restored, to improve the trade balance. Then taxation was levied, and the Belgian National Railways were placed under private control and preferred stock sold, the proceeds from which were used to retire most of the domestic floating debt.

Finally, a $100,000,000 loan was arranged for, and potential credits with the Federal Reserve Bank, the Banks of England, France and Holland, the Reichsbank, and the Banks of Japan, Sweden, Austria, and Hungary, amounting in all to $35,000,000, were secured. Half of this $100,000,000 loan was floated in the United States, in the form of thirty year 7 per cent. bonds, priced at 94. The other half of the loan was offered by European and Japanese banks.

The proceeds of the loan were paid over to the National Bank, to reduce the government's debt to the bank. In return, the bank will undertake to maintain the value of the belga at its gold parity, will reduce the circulation by 800,000,000 francs, and will maintain a reserve against its engagements of 46 per cent. in gold or gold securities.

The reduction of the circulation has already begun, with the minting of 800,000,000 francs in one and five belga silver pieces, to be exchanged for currency. Thus the government profits, for it sold its silver during the war, when silver was very high, and can now buy it back at a price considerably under the face value of the coins.

ITALY'S SECOND STEP TOWARD FINANCIAL STABILITY

Stepping nimbly between the bullets of would-be assassins, Mussolini continues his work of restoring the finances of Italy. A few months ago, he announced a plan for the reduction of the circulation at the rate of 500,000,000 lires each year, until it is completely extinguished.

The next achievement, announced by Finance Minister Volpi, was the funding of the floating debt of more than 20,500,000,000 lires. New bonds to an amount slightly in excess of this, and bearing interest at 5 per cent., will be issued and all holders of the ordinary Italian Treasury bonds and those maturing in five or seven years will be obliged to exchange their bonds for the new loan. Holders of the ordinary Treasury bonds will be given 116 lires 50 centesimi of the new loan for every 100 lires of the bonds they hold; holders of the five-year Treasury bonds will be given 113 lires of the new loan for every 100 lires they now hold; and holders of the seven-year Treasury bonds will receive 112 lires for each 100 lires they now hold.

In addition, holders of nine-year Treasury bonds will be allowed to exchange their bonds for the new bonds at the rate of 107 lires 50 centesimi of the new loan for every 100 lires of the old bonds.

The public will also be allowed to subscribe for the new bonds at 87½.

Not content with such thorough despotism, another measure is resorted to. The banks are ordered to make a market for the loan. The law requires the formation of a syndicate composed of the Bank of Italy, all savings banks and insurance companies in Italy, and all financial institutions in the country. This syndicate must invest half of the money at its disposal between November 11, 1926, and December 1, 1927, in the new loan.

One wonders how long American financiers would stand for such dictation, no matter how beneficial it might be for the United States.

For the effect, of this measure will, without doubt, be for the good of Italian finance. At one step it relieves the government of the threat of early maturities and provides it with some extra ready cash to redeem present maturities. It is "firmly believed to be in the best interests of Italy," by the Treasury, but as the official statement says, "a conversion of this character is unquestionably a drastic step."

SURPRISING RECOVERY OF THE FRANC

Belgium and Italy, however, are not alone in attaching their currencies to strong foundations. France and Norway are getting control of their finances also. Some of the improvement in French exchange, of course, is due to sympathy with the improvement of its two partners in the Latin Monetary Union for so many years. But even more it is due to a change of conditions in France.

Part of this change was achieved by the fact that the French parliament has not been in session, and therefore has not alarmed foreign exchange dealers all over the world by its inability to agree.

The evidence that the French attitude on the debt to America is changing—that the French people are becoming more disposed to accept the funding agreement—is also a contributing factor.

Returning confidence of the French people in their own government is evidenced by larger takings of National Defense bonds, thus relieving the state of an embarrassment that made a great deal of trouble early in the year.

This confidence is based on a sound foundation; namely, unusually large tax receipts. Tax receipts for the first nine months of the year exceeded those of last year by approximately 5,500,000,000. On this basis, the total receipts for the year 1926 will be the largest in the history of France.

The import balance which looked so formidable in the early quarters of the year is being gradually cut down. Every month since June has showed an export balance of trade, though none of them were large enough to wipe out the excess of imports that came in the early part of the year. At least trade seems headed in the right direction.

Best of all, the French budget for 1927, which is almost balanced, was passed by the Finance Commission of the Chamber of Deputies before the Chamber convened. The Chamber seems to have been tamed at last. No longer will it divert the world with the pathetic sight of parties struggling for an advantage with entire disregard of what happens to France.

For when it met on November 12, in spite of the fact that members wanted to talk about everything from the sardine fisheries of Brittany to the price of eggs and the high cost of living, Premier Poincare's motion to postpone all these controversial discussions and devote the whole attention to the budget was passed, 365 to 207. If this rational spirit prevails throughout the session, by this time next year France may also be among the reborn gold standard countries.

NORWAY AGAIN DEFLATING

Last spring, after several months of comparative success in pushing up the value of the krone, the Norwegian government abandoned temporarily the project of restoring it to parity, because of the unfortunate effect on business. As has so often been pointed out in these columns, an appreciating currency necessarily means declining prices, and declining prices mean business depression. So the Norwegian Exchange Commission felt at that time that it would be wiser to stabilize the krone at about 21 cents.

They held it firm at that price until Columbus Day. Meantime, however, the expected business revival did not materialize. Evidently, therefore, the government authorities decided that if the country were to continue to suffer some good might as well come of it, particularly since the Norwegian Central Bank was in such splendid condition to restore the krone to par.

This is probably the reasoning behind the bank's sudden action in October, when it suddenly changed its buying rate from 21 cents to about 24½ cents. Wild speculation followed, pushing the krone up over 25 cents. As this is written it is at about that figure—about 1½ cents below par, which is 26.80. This leaves but a short gap to jump when the gold standard is restored, as is confidently expected, on January 1, 1927.

On October 29, Wilhelm Hohenzollern, ex-Kaiser of Germany, received a check for 5,000,000 marks from the Prussian Government. This was in part payment for his claims against the kingdom. It represented much more than that. It represented a hotly fought election early in the year, and several of the most turbulent sessions which the Prussian Diet has ever had.

When the bill to adjust the ex-Kaiser's claims came up for the first reading, the Communists began to filibuster against it. Leather-lunged and vicious, they shouted out opposition, calling the Hohenzollerns "criminals, bloodsuckers, murderers" among other names. Finally a wrought up Communist heaved a water tumbler at one of the bourgeoisie members—and hit him, too. The Communist was forthwith ejected, the other members retired to bind up his nose, and the bill went to a vote.

The next day the Communists came back with reinforcements. They filled the galleries with supporters, who tossed books down on the legislators, while on the floor the deputies battled with water glasses, ink bottles and fists. The session was suspended abruptly.

The police went to work to clear the galleries, and half an hour later, when this had been done, the sitting resumed. But the same sort of battle started up again. After suspending the sitting twice more, throwing individual Communists bodily out of the Chamber, and similar violence, lasting almost eight hours, the bill finally came to a vote and passed the second reading.

At such cost do the orderly elements of society maintain the right of private property, in spite of broken noses, cut cheeks, and black eyes.

RUSSIAN PARTY ROW

From all sections of the Soviet Republic came the delegates to the great annual conference of the Communist Party late in October, expecting to see a fight for control between Joseph Stalin, leader of the party during the last year, and an opposition group headed by Trotsky and Zinovieff.

But instead of a fight, they witnessed the sudden and complete capitulation of the Trotsky-Zinovieff opposition, in a statement which read, in part, thus:

"We disagreed with the majority of the central committee of the Congress on a number of principal problems. These views we still retain. But we categorically repudiate the theory and practice of the freedom of forming groups and factions. At the same time we consider it our duty to openly recognize before the party that in the fight for our views we and our followers on a number of occasions after the Fourteenth Congress permitted ourselves to take steps which are in violation of party discipline and which tend to split the party.

"Considering these steps unconditionally wrong, we declare that we definitely give up factional methods of defense of our views because of the danger of such methods for the unity of the party."

With Stalin still in the saddle, with better grain collections and a better supply of cotton, there is better feeling in Russia than for some months. It is likely that Stalin will stop, for the time being, the efforts of the Communists to convert the world outside to their views, and give most attention to making the communistic state in Russia efficient—restoring its credit with the world, if possible. There may be, too, some modification in the policy of trade. Trading for profit is at present prohibited, but this may be changed, for Stalin is an opportunist, and believes that if the full benefits of communism cannot be achieved at once, those which can be secured should be. This is where he differed from Trotsky and Zinovieff, who insisted on adherence to Leninism, absolute communism, with no compromise—all or none.

The National Foreign Trade Council has just been figuring up how much business was lost because of the war.

The results are a potent argument against wars. The seventy nations which do more than 90 per cent. of the world's export trade "had an export trade in 1913 valued at $19,426,000,000. Last year the corresponding figure stood at $19,950,000,000 after reducing the $29,970,000,000 worth of trade actually reported to the 1913 buying power of the dollar. It has thus taken twelve years to bring a 2½ per cent. actual increase."

This is not the worst of it. Before the war, the annual growth of world trade was 6½ per cent. "Had this growth continued, the world would have been doing $41,500,000,000 of export trade at 1913 values instead of $19,950,000,000, the actual figures."

There is a bright side too. "World trade has accelerated its pace to fill this gap. Instead of a 6½ per cent. increase, world exports have been gaining more than 10 per cent. annually for the last three years."

Other interesting changes: "Europe now holds but 49 per cent. of the world's export trade beside the 62 per cent. she held in 1913. As Europe has shrunk as an export continent, English speaking North America has risen by 40 per cent., Latin North America and the West Indies by 52 per cent., and South America by 5 per cent. Asia's increase is greatest of all, 52½ per cent. Australia has expanded its exports by 45½ per cent., and Africa by 16 per cent."

GREAT BRITAIN

The gold reserve of the Bank of England just now is giving financial London more concern than the coal strike. The strike has been going on for so long that business has readjusted itself to it, and is surprisingly good, considering.

But the exporting of gold has been going on for only about three months. It is probably indirectly the result of the coal strike, which so reduced English manufactured products that the import balance is growing, creating a growing demand for sterling for payments abroad with a decline in the value of sterling to the gold export point.

The fall of the year is the time when imports to England are heaviest, and therefore some decline in sterling is to be expected. However, with only a little over a year's experience with the re-established gold standard, authorities watch every export of gold carefully.

The German policy of strengthening the reserves of the Reichsbank has undoubtedly increased the amount of gold taken from England this year. This is necessarily a temporary drain. The holdings of the Bank of England, in spite of the recent withdrawals, are still above what they were a year ago.

The indications now are that the coal strike is very near its end. The government has persuaded the mine owners to consent to a plan which is likely to be acceptable to the workers. It is hoped that the settlement can be reported in these columns next month.

GERMANY

Shortly after the English miners stopped work, the German miners, out of work for many months, began. Exports of coal from Germany to England, beginning gradually, have grown steadily, and the stimulus of full time work in the coal industry, and to a lesser degree in the iron and steel industry, has spread all through the German nation.

Easy money, which has been a phenomenon of the German situation for so long, has encouraged this revival, and still prevails. Day-to-day loans can still be had for 5 per cent.

Such favorable conditions have encouraged speculation, which one writer says has "developed into something of an orgy." Prices on the Boerse have been rising since the second week in September without a single reaction, and early in November reached heights that caused some alarm to conservative financiers. The chief activity has been in bank stocks, steel stocks, and stock of the dye trust.

Scientific and weatherwise as ever, the Germans realize that the increased orders for coal will only continue so long as the English strike lasts. They are, therefore, preparing to solve the problem of future markets along other lines, according to the report of the Direction Der Disconto-Gesellschaft, Berlin.

"In place of the negative methods of reducing production by shutting down mines," says the report, "more positive methods are to be tried. These lie in the direction of new applications of coal, such as producing liquid fuel from it, supplying gas over long distances, coal dust heating and so on. The technical difficulties which have still to be solved, however, make it impossible to reckon with any great success of this form of rationalization in the near future. An important initial step has just been made in this connection. Five enterprises have united to found a research society for the 'Coal Application Company' which is planned. It is assumed that all the members of the coal syndicate will join it."

Whether the bureau increases the consumption of coal in the near future or not, its creation is a move in the right direction.

FRANCE

When inflation of the French currency stopped, it might have been expected that the good business in France would be sharply checked. So far this has not happened. Prices have kept right on going up, the index number going from 785 in August to 804 in September. With it the production of iron and steel went up. All industrial operations proceed apace.

But trouble lies in the offing. The wheat crop will be far below that of last year, and none of the other crops will be very satisfactory. If American experience counts for anything, this will result in lower purchasing power for the farmer, and poorer business.

ITALY

When Mussolini announced his intention of steadily reducing the circulation, it was pointed out in these columns that the effect on business would be to make producers cautious, and profits very uncertain. Subsequent events have confirmed this.

First security prices declined. That scared the business men. Wholesale prices followed suit, dropping from 678.7 in the second week in September to 673.4 at the end of the month. Then, since the Bank of Italy was using a good part of its cash in the reduction of circulation, money became tight. This forced liquidation, further price declines, and "a general tone of anxiety in Italian business circles." The report of the Commercial

Attache in Rome of November 1 says that Italian business "activities are largely hampered by the impossibility of forecasting future exchange movements."

Meantime, however, the government finances are in good condition. Revenues in September made further advances; the Treasury has a comfortable surplus, the internal debt has been reduced, and the gold reserve is increasing. Imports have been reduced, thus improving the trade balance.

No great trouble has resulted as yet, for the workers are still fairly well employed, and the decline in prices has eliminated the need for wage increases.

SCANDINAVIA

Swedish business is picking up, and the money market there is firmer. With the increased steel business in Germany, there is a greater demand for iron ore from Sweden, and a good harvest has helped things along.

The number of men hunting jobs in Norway is larger than at this time last year, and with the recent evident determination of the central bank to bring the krone back to par, there seems little likelihood that there will be any immediate change, though for a time the security markets did seem to be discounting better business.

Finland, having stabilized its currency last year, is enjoying good business. Money remains easy, the cost of living index has declined while wholesale price index remained unchanged, there is an export balance of trade and there is a continued lively demand for lumber.

AUSTRIA

The Austrian Socialists who gathered at Linz on November 4 in the convention of the Social Democratic Party are practical men. They decided no longer to cling to a mere ideal, but to modify their program more within the bounds of practicability.

For example, though still looking forward to the establishment of the Socialist state, they realize that it cannot be established in Austria alone. Austria must await such action by the big powers.

Meanwhile, according to the program, both the Socialist and the Bourgeois parties are too weak to govern alone. They will therefore co-operate with a Coalition government, but such co-operation is understood to be merely temporary, until they do become strong enough.

Finally, the party abandoned its former anti-religious attitude, but still demands the separation of the church and state.

How weak the Socialist party really is may be judged by the fact that, in spite of this last declaration, the new cabinet in Austria is headed by Ignatz Seipel, a Catholic prelate.

Business conditions in Austria have changed but little. There is a moderate improvement in commerce and industry, and a slight increase in unemployment.

HUNGARY

In Count Stephen Bethlen de Bethlen, Hungary has a Prime Minister who has enjoyed a longer tenure than any other in Europe, since the war. He took the office in 1921, and has held it ever since, in spite of being charged with complicity in the plot to forge French bank notes, and an offer to resign, and is today stronger than ever in his position.

He is a realist in politics. He attempts only what he deems politically possible. His policy, as he states it, is neither revolutionary nor reactionary. "Our object is to build upon the foundations we possess. Only a nation which has learned self-discipline can tread the paths of democracy; only a nation, that is, which has learned to subordinate its class interests to the greater interests of the nation as a whole."

He admits that relations with neighbor states might be much better than they are, but holds that there has been great improvement already.

In short, "though Count Bethlen cannot be described as an optimist in the sense that he believes that all is going to be for the best in the best of possible worlds, in any time within the ordinary range of vision, he holds that the progress made in Europe generally during the last few years is sufficient to justify the hopes of continued improvement all along the line."

EGYPT

America produces a record cotton crop; and in Egypt the small growers apply to the government for protection against the dropping prices. So closely is the economic world now linked. The Egyptian government has replied by establishing a credit of £4,000,000, which will be advanced through the banks to the cotton growers. The only charge will be 4 per cent. to defray the expenses of warehousing the cotton.

Last year the government held up the price by purchasing the cotton from the growers, but that has not been effectual. Furthermore, it has loaded up the government with large stocks of unsold cotton. Hence the trial of the financing scheme.

SOUTH AMERICA

The demand for ships to transport coal to Britain has now become so great that export shipments from Argentine are being retarded by the scarcity of ocean tonnage. In spite of that, however, there is some improvement. Construction is active, crop conditions are favorable, exchange is firm, and stocks of imports are moving more rapidly than in recent months.

During October there was a gradual improvement in business in Chile, but that evidently satisfied the requirements of consumers, for it was followed by a setback. The central bank has reduced its rate to 7½ per cent. and the public discount rate to 8½ per cent., but though these rates are the lowest ever quoted in Chile, business is so dull that they have not stimulated borrowing.

General business conditions in Peru were worse during October than in any period since the post-war readjustment in 1921. Liquidations are in progress in many lines, and bankruptcies are increasing. The exchange pool referred to some months ago in these columns failed, and the Peruvian pound declined to a new low of $3.48 in October. New financial measures by the legislature, and the formation of another pool are talked of. So few exchange drafts are available that some debtors are depositing Peruvian pounds in Lima banks, to be held for payment to their foreign creditors when foreign bills are available.

In sharp contrast to this, credit is still tight in Brazil. There the Bank of Brazil quotes a rate of 11½ per cent. which practically prevents rediscounting. It was the appreciation of the milreis which caused all the trouble, and though it now seems to have stopped advancing its future course is so uncertain that producers are very cautious. However, the heavier imports and the larger prices being received for exports augur well for the future.

THE LAST MONTH IN CANADA

By J. W. Tyson

This is a regular monthly feature summarizing the financial and economic situation in Canada. Mr. Tyson is managing editor of *The Financial Times* of Montreal.

CONFIRMATION of the view of the Canadian Financial and industrial community, that Canada's moderate and evidently increasing prosperity is on a sound basis, has been supplied by the president of the Canadian Bankers' Association, C. E. Neill, in his annual address to that body. Mr. Neill referred particularly to the fundamental improvement in agriculture as the result of profitable crops permitting the Canadian farmer to pay off a substantial portion of his indebtedness thus leaving a fair proportion of this year's crop to represent new purchasing power. He also made the point that agricultural prices in Canada are 69 per cent. above pre-war prices, while the general price level is 54 per cent. above that of 1913. He contrasted this situation with that of the United States, where the farmer is in "an unfortunate position with prices for his products below the general level, the cotton situation being particularly acute." General prices in the United States, he pointed out, average 150, while the price of the products of agriculture averages only 35 per cent. above pre-war levels. Mr. Neill also referred to improved railroad earnings, a satisfactory building situation, largely increased newsprint production, record automobile production, increased foreign trade and stimulated immigration as all combining to warrant optimism for the immediate future. He predicted that, so far as commodity prices are concerned, price levels for some time to come are likely to remain fairly constant.

Despite perverse conditions in the prairie provinces during September and October, which interfered seriously with harvesting operations and resulted in much of the grain being reduced in grade, the general results will still be fairly satisfactory. The Dominion Bureau of Statistics estimates the total yield of spring wheat at 385,000,000 bushels, and of fall wheat at 21,000,000 bushels. This is a total for all wheat of 406,000,000 bushels as compared with 411,000,000 bushels a year ago. The total yield of oats is estimated at 365,000,000 bushels as against 513,000,000 bushels last year. With grain prices representing a satisfactory margin of profit to the farmer on his reduced costs of production, and with satisfactory prices also for general farm products, the agricultural community is in a sound and prosperous condition and this buying power is reflecting itself in general business and industry. The primary industries of forestry and mining are being well maintained; general manufacturing is being maintained at close to its recent high marks: building is shown some recession and real estate values in the cities have reflected this.

NEWSPRINT INDUSTRY EXPANDS

Canada's newsprint industry continues to show expansion. Output is being greatly increased and production facili ties are growing as new mills are being brought into operation. There is again some apprehension as to over-production, but past experience has shown that these periods are temporary and have been taken care of by the increasing consumption in the United States. In this respect much will, no doubt, depend in the near future on continued prosperity in the United States, however, it is a growing conviction in the Canadian industry that over-production represents a problem for American rather than for Canadian manufacturers. The mills in this country are more modern, in most cases, and better situated economically from the standpoint of location and extent of forest reserves. For the first eight months of the current year Canada's exports of newsprint to the United States increased nearly $9,000,000 with an increase of over $1,000,000 to Australia as a result of the preferential tariff, whereby newsprint from Canada and the United Kingdom enters Australia free of duty as against the duty of $3 per ton on paper from other countries. Total exports for the period were $73,000,732.

The year 1926 is expected to rank as one of the best in the history of the British Columbia salmon packing industry. There has been a good pack and the demand for both export and domestic markets has been good with satisfactory prices. The outlook for the industry is regarded as decidedly favorable—the market for canned salmon seems to have completely recovered from the conditions which resulted from the war. The demand for British Columbia salmon products is increasing throughout the world. Canadian and American authorities are still working on the problem of conserving the sockeye supply in the Fraser river. Because of the peculiar conditions governing the outlet of the Fraser, state and federal authorities on the one hand, and provincial and dominion authorities on the other, are interested, as well as the canning interests in both countries. There are now indications that, after years of negotiation, some plan reasonably satisfactory to all concerned can be worked out. British Columbia is also much interested in the development of a new industry in the manufacture of pilchard oil. The pilchards are obtainable in large quantities but, up to the present, have not had a market value. Now large quantities of oil are being exported and the industry promises to become one of the big sources of revenue on the Pacific coast. Likewise there is being developed a very satisfactory industry in salt fish for the Chinese market.

FINANCIAL SITUATION IMPROVED

With more stable agricultural conditions in western Canada, collections of the banks, commercial and mortgage loaning institutions are more satisfactory In the case of the trust, loan and insurance companies, with many millions of their funds invested in western mortgages, this situation is creating a new problem. Since the war the interest rate paid for funds has been maintained at high levels while rates on loans have declined substantially. Available supplies of money are being increased by the liquidation of western obligations. One result of this situation is that Ontario companies have recently entered the province of Quebec, which is for them a new field. Another development is the absorption of a number of the smaller loaning institutions by larger companies which, with their larger volume of business, can reduce overhead expenses and more successfully face the present situation.

Conditions in the lumbering industry are only fairly satisfactory. By using the Panama Canal, Pacific producers can successfully compete with maritime mills in the New England states. At the same time the situation on the Pacific is not regarded as healthy. With a decline in consumption, as the result of the larger use of steel and cement and rising costs of production, it is difficult to maintain the output at a profit. One result has been a plan to bring about the merger of large Canadian and American mills. Should this work out successfully it should help the industry in general. The situation in British Columbia has also been aggravated by a new 40 cent minimum wage law. This has been demanded by the labor interests with the idea of assisting white workers in competition with Orientals. Operators declare that it will not have the desired effect and will materially handicap the Canadian mills in competitive markets by increasing their costs.

A visit by important Canadian banking interests to the mining fields of northern Ontario has attracted attention to the stability which the mining industry of the north is attaining as compared with a few years ago, when it was regarded as a field for speculation rather than as an important factor for productive wealth. There are now in northern Canada a number of gold mines whose production promises to send to Canada a greater output of the yellow metal than to United States, while the nickel and silver camps continue to contribute very largely to the world's supply. The visit of bankers to the country is taken as a significant development in relation to additional capital for development.

For the first time in many months the bank directory of Canada shows a gain in the number of branches of chartered banks. For several years, bank amalgamations have resulted in the closing of branches and month by month the number has steadily decreased. The total at the end of September, however, showed a gain of four. During that month, while four branches were closed, eight new ones were opened.

The total number of branches of chartered banks in Canada now stands at 3785, with 25 in Newfoundland and 171 elsewhere.

INTERNATIONAL BANKING NOTES

THE semi-annual report of the Commonwealth Bank of Australia, Sydney, New South Wales, shows a capital of £4,000,000, reserve fund of £927,256, total deposits of £36,729,306, and total assets of £147,721,302.

Profit for the half year amounted to £815,026, which was disposed of as follows:

	£
To reserve fund	104,944
To National debt sinking fund	104,944
To rural credits department reserve fund	2,993
To rural credits department development fund	2,993
To Commonwealth treasury	449,363
To rural credits department capital account	149,787
To dividend tax	47,610
To be carried forward to next account	84,744

The balance sheet of the bank shows a capital of fl.17,580,000, reserve fund of fl.1,400,000, deposits of fl.14,908,943, and total assets of fl.82,623,516.

REPORT of the board of the Hollandsche Bank Voor Zuid-Amerika, Amsterdam, as of June 30, shows a profit for the last year of fl.1,202,360, to which is added fl.95,788, brought forward from the previous year. This total of fl.1,298,149 is disposed of as follows:

	fl.
To statutory reserve	200,000
To extra reserve	300,000
To bank premises account	136,794
To dividend preference shares	4,000
To dividend ordinary shares	525,000

THE Northern Banking Company, Limited, Belfast, in the annual report of its directors and committee of shareholders, shows net profits, after making full provision for all bad and doubtful debts, rebate on bills discounted, interest due on deposits and bonus paid to bank officers, of £136,970, which with balance brought forward from last year of £47,066, makes a total for disposal of £184,036.

This has been disposed of as follows:

	£
To dividends at 17½ per cent. on "A" shares and at 8¾ per cent. on "B" shares	109,375
To bank buildings account	5,386
To contingency account	40,000
To be carried forward to next account	51,149

703, according to the balance sheet of August

Total assets of the bank amount to £17,532,113, paid up capital to £700,000, reserve fund to £800,000 and deposits to £13,902,31.

WHERE CHARITY BEGINS

By Richard W. Saunders

CAN one afford to be charitable and, if so, when? These are not questions that stamp the inquirer as a hard hearted being, but are of the kind that every man should ask himself and to which he is entitled to an answer. It is of serious economic importance that a man should not divert even a moderate sum of money which may be of vital importance in his success. It is imperative that every earner should as quickly as possible place himself in a position of self-dependence and no man has any right to jeopardize his possibilities even though such appeals are made in the name of charity. In other words he must be selfish in order later on to afford himself the luxury of being unselfish.

Beguiled by a well written plea, the writer sent a check to a certain charity. At once, seemingly, his name was included in a mailing list, for a veritable flood of similar requests was loosened upon him. Pleas of every conceivable kind have kept pouring in. To donate to even a fraction would tax the financial power of a Rockefeller or a Ford. Reproductions of pathetic letters written by children (ostensibly) wring the heart strings. Telephone messages and solicitations, oft repeated, interrupt important business conferences. Churches, camps, schools—every conceivable kind of organizations—urge that any amount, even a moderate one, will be of inestimable value.

There is, of course, in nearly every man, a desire to be of benefit and help to unfortunates. Philosophers say that this is due to the fear that oneself may perhaps, through the vicissitudes of life, be placed in a similar position. The best reply would be to urge each man to get into a position of independence that would make such a possibility impossible. Savings carefully invested, with avoidance of speculation, will do this. But there is a healthful glow as one donates, that is made much of by collectors, and which, no doubt, helps to keep flowing the milk of human kindness.

There are a few facts or rules, however, that a man should consider before parting with the cash which may mean so much to him in the struggle of life. The rules may be disregarded to an extent, by those with means, but even they are justified in seeing that their contributions are worthily bestowed. Said Shylock, "you take my life when you do take the means whereby I live," and this the man of moderate income must consider.

It is almost a truism that men who are worth anything are capable of taking care of themselves. There are times when a little help over a stile is needed but usually the best manner of helping is by giving such a man a chance to help himself. Giving a beggar a quarter may make a man pat himself on the back but economically it is a mistake, and only encourages the beggar to continue begging.

Institutions that have their origin and continue to exist because they propagate certain doctrines have no right to appeal to the general public for help. Their appeal should be directed entirely to those who hold such doctrines and should such appeals fail they should die out as all such institutions have done in the past, for this is a clear indication that they serve no useful purpose in the world.

This leaves the large field for those who have lost out in the struggle of life or are not prepared to maintain themselves against more qualified contenders. In time the state will take them under its care, that is, the citizens acting as a whole will ameliorate their conditions. It is a reproach upon any community, that such persons are thrown upon the hazard of an appeal for charity.

No one has any right to injure himself for the sake of others. It follows that each person must decide what, if any, amount he can divert, without such injury, for the sake of his unfortunate brothers. No one shows good judgment who spends injudiciously and therefore it behooves such a man, after ascertaining what he can safely give, to choose and investigate the particular line of charity which his benefactions may rightly take and bestow accordingly.

There have been many instances in the past where charitable minded men have attempted by will to help along certain lines but whose efforts proved nugatory. A word of commendation can be well given to the modern community trust to which bequests can be made and which attempts, in a reasonable way, to carry out the testator's wish. But nothing can be more certain than the fact that haphazard charity is ill advised and that the individual should conserve his means until he can, in safety, place his bounty where it will do the most good. An appeal to the sympathy is hard to withstand but reason, as always when appealed to, justifies that care and prudence are more than ever necessary. To give is good but to give wisely is ten times as good. And though "Charity begins at home" it certainly should not stay there forever.

How Banks are Advertising

Special Section of The Bankers Magazine

DECEMBER 1926

MAKING BANK ADVERTISING LOOK LIKE "AN INVITING STRETCH OF ROAD"

BY A. A. SHIELDS

BANKS whose advertising forces the reader's attention generally observe the two principal rules—contrast in appearance and readable type. They try to offset the handicap of repulsiveness—a real handicap because nobody ever reads a newspaper through.

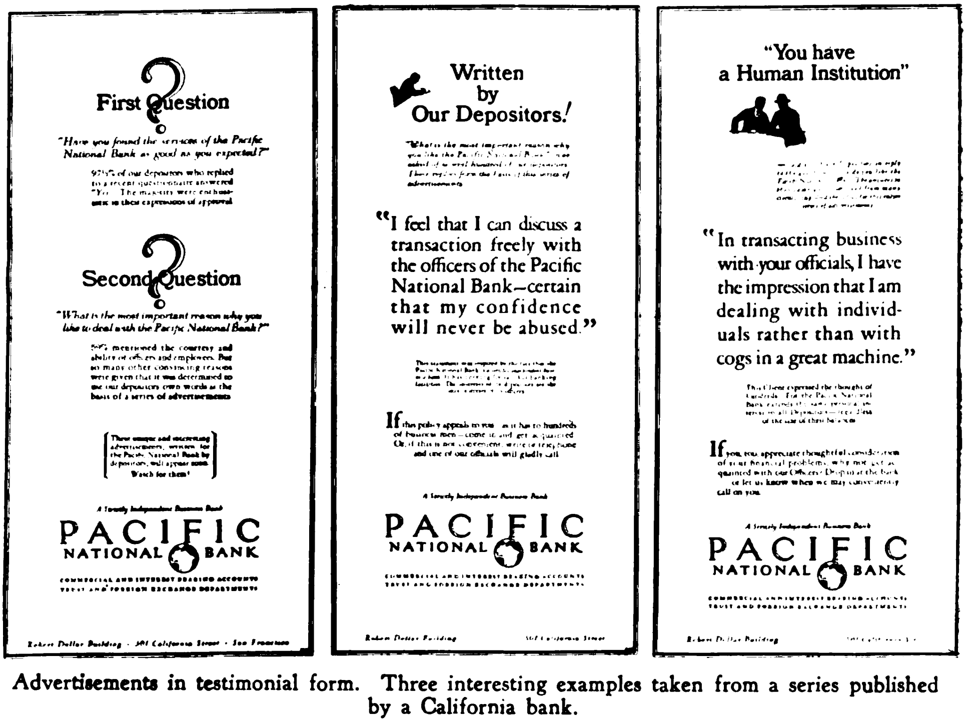
"One of my friends, a prominent newspaper publisher, shut one of his editors up in a room alone to read through one daily edition of the *New York Times,*" Bruce Barton told the industrial advertising convention in Chicago. "He was to read as fast as he could, but was to read every word—headlines, news, editorials, display advertising, want advertising—skipping nothing.

"How long do you think it took him?

"Fourteen hours!

"There is fourteen hours of reading matter turned out to divide the attention of people, who on the average, I presume, give not more than fourteen minutes to it."

Of course, not all newspapers have as many pages as that one—some have more—but your own reading habits will tell you that the bank advertisement will have to *command* attention. Its ap-



Advertisements in testimonial form. Three interesting examples taken from a series published by a California bank.

Giving the investment prospect an opportunity to visualize what is back of the investment by picturing the buildings on which the bank's investment offerings are based.

pearance must follow natural laws.

Again an old question bobs up: Why should a bank have to bother about the appearance of its advertisement? Why can't it be left to the printers to use their judgment? Or to the advertising solicitor?

Part of the answer may be found in what Charles W. Mears said in *Advertising and Selling Fortnightly*:

"Indeed, newspapers usually feel that they are purveyors of space, sellers of a chance to meet a certain reading public, and that the manner in which the advertiser meets that public is somebody else's affair."

Also, consider the verdict of J. L. Frazier, in *Inland Printer*:

"It is a fact that the worst advertisements are found in daily papers published in cities of 10,000 and up, until we reach the very largest, like Chicago and Philadelphia, for instance, where far better taste is exercised."

Yes, there are many printers whose judgment might be trusted. On the other hand, there are many advertising solicitors who have only slight knowledge of the natural laws relating to the appearance of advertising. Their value to the paper lies in their ability to get over the ground and to produce results. Nothwithstanding their lack of training in advertising appearance they often mark the instructions on the copy of the printer and the printer follows them.

Crowded advertisements are, without doubt, the greatest evil of today—today when everybody is in a hurry and resents being slowed up

"It is by no means common to see white space utilized to the best advantage, in spite of the reams that have been written about it," said Richard Surrey, in *Printers' Ink*. He showed why contrast such as given by white space had its appeal:

"Nature—which implies human nature—is a great lover of contrasts. There are contrasts of winter and summer, day and night, land and water. There are contrasts of growth and decay. There are contrasts of calm and storm, cold and heat, weight and lightness.

"And advertising, which appeals to human nature, must have its contrasts, too."

No, bank advertising men, or bank executives passing on the advertising need not be trained to dictate every type style and size that goes into every advertisement.

There is considerable leeway in that point. As an illustration the *New York Times* conducted a typography contest. It supplied the text copy and invited ideas for setting it up attractively. When the best of the lot submitted were published in a book, 408 different ways of setting up the same words were shown.

If you want valuable information about type, in capsule form, E. Ralph Cheyney, compounded it in "Hints on How to Advertise:"

"Emphasis should be used *sparingly* to be effective. A LINE OF ALL CAPITALS (LIKE THIS) is less easily read than a line of Capitals and Lower Case (Little Letters Like These). Too much emphasis defeats its own purpose. As George Bernard Shaw has remarked, 'An angel is nobody of importance in heaven.'

"Pleasing the eye—*readability*—is the fundamental law underlying good design in type faces as well as layout and decorations. . . . The acid test of fine typography is in its readability. Does its general arrangement please the eye? Is it easy to read? Balanced arrangement invites one to read—without conscious effort."

Therefore, the bank needs to serve as, or to provide an "advertising traffic cop" to see that the bank's stretch of the newspaper road is sufficiently clear to invite the readers to travel it.

"That was a real round of golf, Tom. Wish I could get away from the office oftener. Don't see how you manage to play so much."

"That's easy. I've a Living Trust at the **Cleveland Trust**. *Those banker fellows look after my property and investments and I can enjoy the rest I think I've earned all these years."*

This advertisement, while obviously directed to the successful business man, is also very likely to catch the eye of men who hope some day to reach this stage of material success.

HOW BANKS ARE ADVERTISING

A TOTAL of 6977 new savings accounts was opened with the Guardian Trust Company of New Jersey, Newark, during a two weeks' campaign held recently by the institution. The bank was opened on Monday evenings, in addition to the regular banking hours, for depositors who could not visit the bank during the day, and during the campaign lines of customers formed outside the building waiting

(Continued on page 885)

The Editor's Page

WHO reads the statements that banks, in accordance with time honored custom, publish in the usual formal style in their regular newspaper advertising space at intervals following bank calls during the year? Competitors doubtless read them. But do depositors or prospective customers of the bank? Witness the recent statement of a banker in a large eastern city: "The customer, nowadays, due to the confidence which has been justifiedly reposed in financial institutions in general, requires only that the bank take care of his needs promptly and accurately and grant him the necessary line of credit with a minimum of effort. Actual check and experience have conclusively shown that not one depositor in a thousand is interested in the basic strength of his institution as made public several times each year in the newspapers. There is no interest to speak of in these statements except among competing banks for comparison. Condensed statements in attractive form when placed on the counters never seem to move."

Some banks go into the matter of the published statement more thoroughly and print explanatory 'comment on the various items in the statement so that these may be made more readily understandable to the layman. But even here arises the question of whether or not the statement means very much to the man in the street.

A wide and careful survey, recently concluded, the results of which were made the basis of an article published in the October number of THE BANKERS MAGAZINE, shows rather conclusively that such factors as strength and stability in banks are taken for granted today by the public. The survey shows that what people are chiefly interested in in banks are such matters as good service, promptness, convenience and human treatment. To quote from the article published around the survey: "To all seeming, the security and strength of the bank which are so frequently emphasized in bank advertising, are a consideration of little importance in attracting new customers. It seems to be generally understood that all banks are safe. Consequently the survey showed that none of the people interviewed selected their bank because of what they had read in a published financial statement."

A prominent bank advertiser responded to the writer's question, "Why do banks publish their statements in two and three column advertisement form?" with the somewhat cryptic reply, "For the same reason that people wear neckties."

Of course, in cases where a bank suddenly adds an unusually large sum to its capital, or where it has registered a very notable increase in deposits over a short period of time, it can upon these occasions play these facts up to advantage in its advertising. But the writer believes that, as a general rule the average published bank statement advertisement in its present form is pretty flat stuff both to depositors and to the public at large, and that, when noted at all, it registers extremely little impression in their minds.

IF you use art work at all in your advertising it ought to be the best that you feel you can afford to buy. Nothing can cheapen the appearance of an advertisement any more quickly than a sloppy illustration.

Richard Durham

(Continued from page 883)
for the bank's opening, according to Clarence G Appleton, president. An unusually large number of parents opened accounts for their children, and many of the children were permitted to make their own deposits, Mr. Appleton said.

C. H. HANDERSON, publicity manager Union Trust Company of Cleveland, president of the Financial Advertisers' Association, spoke on the subject, "How I Buy and How Salesmen Could Help Me", at a luncheon meeting of the Chicago Financial Advertisers at the Hotel Sherman, Chicago, on November 16.

SEVERAL attractive booklets have been issued by the New Hampshire National Bank, of Portsmouth, N. H., all of which emphasize the advantages of the city as a summer resort, a commercial center and a city of homes. The attention and interest of summer visitors is especially sought in this well written and published advertising. Two-color printing is used.

THE Franklin News is a monthly pamphlet published by the Franklin Society for Home Building and Savings of New York. It contains financial advice, an editorial column, a column of sayings of Benjamin Franklin, and several feature articles. The October number featured the

WHO'S WHO IN BANK ADVERTISING

LEOPOLD A. CHAMBLISS

Assistant secretary and treasurer, and manager of publicity and new business Fidelity Union Trust Company, Newark, N. J.

MR. CHAMBLISS, who received his early training under Francis H. Sisson in the publicity department of the Guaranty Trust Company, New York City, was one of the originators of personal solicitation for trust business. He organized the original trust new business unit for the Guaranty Trust Company and, for a number of years, was in charge of the work for that institution. In 1923 Mr. Chambliss took a six months' leave of absence to organize the publicity and new business work of the Wachovia (N. C.) Bank and Trust Company. He was active in all the branches of that institution, located throughout the state, and did valuable work with both directors and employes, laying the groundwork for a permanent new business department. Mr. Chambliss is a native of Tennessee and a graduate of Davidson College, North Carolina. He has been a newspaper reporter, English instructor and psychological examiner. He is a speaker and writer and a member of a number of social and honorary fraternal organizations.

A New York savings bank draws on its long historical background for an interesting advertisement.

dedication of Billopp House, Staten Island, where Lord Howe and Benjamin Franklin conferred in 1776.

THE Liberty Trust and Savings Bank of Chicago has issued a number of effective investment folders and booklets, one of which describes in detail the season's bond offerings. A letter urging customers to take advantage of "investment opportunity time" accompanies the folders.

IN "The Hibernia Rabbit," published by the Hibernia Bank and Trust Co., of New Orleans, appears a page showing several advertisements that have been used by the company in financial publications during the last few years. The series features outstanding civic, industrial, commercial, educational, financial and social characteristics of New Orleans. The advertisements have been appearing in representative financial publications for several years and will continue indefinitely. The ads are attractive in layout and copy, and each is illustrated with a picture of the subject discussed in the copy.

A DISTINCT constructive service to the public and to legitimate business institutions is being rendered by the Better Business Bureau of St. Louis, affiliated with the Advertising Club of St. Louis and composed of 266 St. Louis advertising media—newspapers, magazines, motion picture theaters, buses, outdoor advertising companies, etc. Through these various advertising media, the people of St. Louis and vicinity are warned against fraud of all kinds, protected against impending schemes and educated to the proper belief that legitimate investment dealers and banking institutions are worthy of their confidence. More than 90,000 agate lines of space are used monthly in telling the public of this service, and, in addition, out-door painted panels, electric signs, buses and motion picture theaters reach 25,000,000 people annually.

A BULLETIN issued by the Outdoor Advertising Association of America, called "Advertising Progress," tells of a new constructive advertising program which is being put into effect by the organization.

THE income management department of the Monroe County Savings Bank, Rochester, N. Y., is distributing a card to assist prospective home owners. On one side is a chart showing how the money for the initial payment on a home can be accumulated, and on the other is an outline of the cost of home-ownership, including taxes, insurance, interest on mortgages and repairs.

A California bank gives a picture of the scope of its branch activities and the location of its various offices, through the reproduction of a map of the state with branches indicated by black dots.

A CIRCULAR issued by the City Savings Bank, Albany, N. Y., announces a new service to depositors in the crediting of dividend checks without loss of a month's interest by having them mailed direct to the bank, where they will be credited at once to the depositor's savings account. "Most corporations pay dividends on the first of the month," according to the leaflet, "and a few days' delay in depositing the checks on your savings account means the loss of one month's interest. You will be notified of the amount credited together with the name of the company paying the dividend. You may present your passbook at your convenience to have the entry made thereon." The plan is striking a responsive note with many depositors, according to officers of the bank.

AN effective method of taking advantage of a recently published advertisement of the Phoenix Mutual Life Insurance Company advocating trust company service, was used by the Maryland Trust Company of Baltimore. A half-page of newspaper space was used with the heading, "What is it worth?—The judgment of those who know," and followed by a reproduction of the insurance company ad with the words, "A trust company's service publicly recommended by a nationally prominent life insurance company."

AS a welcome change from the stereotyped trust advertising depicting the troubles

Picturing convenience of location in a well arranged layout.

which await the widow and children of a man who neglected to make his will, the Mutual Trust Company, of Philadelphia, Pa., has struck an ultra-modern note in an advertisement which is headed "Your Husband Needs the Protection of Your Will."

THE Garfield National Bank of New York City has published a folder on "The Administration of Your Estate." The folder is printed in two colors and presents, in simple but attractive form, the reasons for selection of the Garfield National as an executor, rather than choosing a member of the family or a friend.

DIVIDED deposits are made the subject of an advertisement of the Pollock State Bank, of Pollock, S. D., in a local newspaper. The copy reads, "Sometimes a banker with whom you are doing no business will approach you and ask that you give him a part of your account. Do not do this. When you divide your account you weaken your financial standing and should you need accommodations later neither bank will feel obliged to assist you.

"Select the bank which appeals to you as best suited to your needs and transact all your banking business there. Then, should you want assistance in a monetary way, your bank will feel like obliging you and it will have a knowledge of your affairs that will make it possible to grant accommodations instantly.

"*Never scatter your shot if you expect to bag big game.*"

"PROTECTING the Family" is the title of a well gotten up booklet issued by the State Street Trust Company of Boston, Mass. In it are stated, in simple and easily understood terms, the services of a trust company as trustee of an estate and its advantages over an individual in the same position.

THE Year Book of the Financial Advertisers' Association, scheduled to be off the press shortly, will include a complete symposium of financial advertising and a part of it will be taken up with a financial advertising clinic held at the association's convention in Detroit recently. The book will contain a report of the convention and a complete membership list of the organization.

INVESTMENT BANKERS ASSOCIATION CONVENTION

Foreign Bonds Most Prominent Topic; Blue Sky Laws Still Obstructive; Hanauer Blames Narrow Profit Margin on Borrowers; Banks Changing Policy on Commercial Paper; Pliny Jewell New President.

TWELVE hundred of those bond salesmen *par excellence*, known as the Investment Bankers Association of America, gathered at Quebec, Canada, from October 11 to 15, in their annual convention. They listened to numerous addresses of welcome from various Canadian officials, describing the past and future accomplishments of that country; they heard what Russell C. Leffingwell of J. P. Morgan & Co., New York, thinks of the future of "Foreign Bonds", and what the association is doing to make foreign investments safer; they went to balls and dinners and teas, and on trips to the historical points of interest about Quebec; they discussed, in a very brief session, the cause of the narrowing margin of profit in selling bonds—in short, they had an entirely ordinary, but very enjoyable convention.

Foreign bonds bulked large in the sessions of the convention. And well they may, for they occupy an important place in the investment business of the United States. Since 1913, the number of foreign bonds listed on the New York Stock Exchange has increased from less than a dozen to 145, and the annual turnover from less than $3,500,000 to more than $670,000,000.

Speaking on "Foreign Bonds" before the general session of the convention, Russell C. Leffingwell of J. P. Morgan & Co., described the process by which the United States was metamorphosed from a debtor country owing foreign nations about $2,500,000,000, to a creditor country, with $11,000,000,000 due from foreign nations, in the short space of fifteen years. The amount that the United States has loaned abroad, however, does not present a true picture, for a great amount of foreign money has been deposited in the United States in the flight from unstable currencies of Europe. In fact, Mr. Leffingwell expressed the opinion that such foreign exchange balances in the United States "greatly exceed, in the more important instances, the amount of loans floated in our markets since the war."

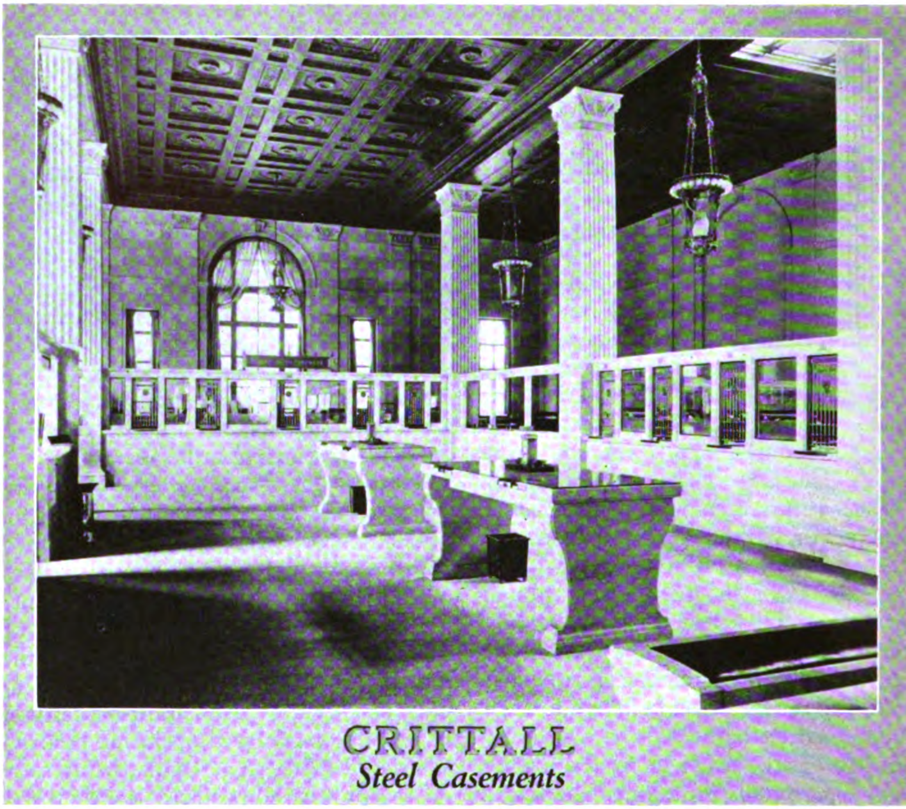
He paid his respects to the plan published in the newspapers some time ago, which would wipe out all inter-allied indebtedness by the use of the Dawes Plan bonds, in the following comment:

"I don't think that the problems of international finance growing out of the war are to be solved by any comprehensive plan, by any great dramatic gesture, or by any one colossal operation clearing the slate. They are, I think, being solved day by day, a little here, a little there, and are being whittled down to manageable proportions almost without our knowing it."

On the question of the war debts, the position of the Morgan firm in favor of cancelation is fairly well known. It was, therefore, natural to hear that his opinion is that "great as the importance of the financial and economic aspects of indemnities and war debts may be, their political and sentimental importance is greater. In the long run the decision of the question of reparations and the question of inter-allied debts will be based, not upon the capacity to pay of the debtor, but upon the decision of the American people in agreement with the people of the rest of the civilized world upon the question whether one nation should be compelled to make such payments to another nation, friend or foe, from generation to generation."

WARNS DELEGATES

Mr. Leffingwell warned the delegates that American loans to Europe are not



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 Crittalloy—the Copper Bearing Steel

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CRITTALL CASEMENT WINDOW COMPANY, *Manufacturers*

10965 HEARN AVENUE, DETROIT, MICHIGAN

Also manufacturers of Crittall Standardized Casements for homes of moderate cost

likely to be perennial. "I expect the time to come, and come soon," he said, "when European government loans in this market will shrink in number and amount."

Finally, he traced the improvements which various national governments have made in their finances since the Armistice, and concluded, " the war was not over for the Treasury of the United States after Armistice Day, eight years ago. In a sense it isn't over yet, for some of the governments in Europe who have not been able to fully adjust their affairs, but I think the end is in sight."

The report of the foreign securities committee on this same subject of foreign bonds said that in the first few years after the war, capital exported went largely for foreign government bonds, or bonds guaranteed by governments. In recent months, however, the increasing proportion which has been going into industrial use "indicates that the task of meeting the needs of European governmental rehabilitation and currency stabilization is nearing completion, while the problem of satisfying the requirements of world-wide industrial reconstruction is becoming more important."

This creates new problems, for loaning money to a foreign corporation is quite different from loaning money to a foreign government. It requires information on how corporations are formed abroad, how they function, their powers, limitations and liabilities.

It requires a knowledge of the types of mortgages in foreign countries and the rights and liabilities of mortgage creditors and debtors under each type. For example, in Germany, there are four different types of mortgages, and it is important to have bonds secured under the right type.

It requires a knowledge of the legal procedure in foreclosures; a description of the procedure of bond creditors when corporate defaults occur, in corporate reorganizations, the rights and limitations of trustees, receivers, etc.

It requires information on the laws and practices concerning government control of the issuance of bonds and the publication of balance sheets. Corollary to this is a knowledge of the systems of accounting and methods of valuation.

Finally, it requires a knowledge of the general systems of taxation and the position of taxes with regard to outstanding mortgages and war debt charges.

On all these points, the committee reported, it is now getting legal opinions, for the use of members. Knowledge of these factors will enable bankers to proceed on the basis of scientific analysis of the risk, with full knowledge of the legal protection available, and will make foreign investing more scientific.

The legal side is not the only side to foreign investments. Economic conditions and the attitude of the government are fully as important. Provision has, therefore, been made for information along these lines by the establishment by the association of the Institute of International Finance, under the direction of Dr. George W. Edwards, Professor of Banking, New York University.

POLICY OF THE INSTITUTE

Dr. Edwards explained that the policy of the institute would be to accumulate and distribute information pertaining to foreign investments. Such information will be gathered from official sources, so far as possible, and when obtained from private authorities, the authorities will be cited. Only facts, uncolored by any opinions, will be distributed by the institute, so the dealer can form his own judgment of the value of whatever securities he is asked to buy.

Specifically, the service of the institute to subscribers will include:

1. Regular bulletins on investment conditions abroad.
2. Special supplementary bulletins on current events relating to foreign investments.
3. Answers to questions on subjects affecting foreign securities.
4. A financial library on foreign coun-

tries, available for the use of members.

The institute will be located at the Wall Street Division of New York University, 90 Trinity Place, New York, convenient of access for New York City members. While the work is not yet fully organized, it is expected to be in complete operation by January 1, 1927.

Blue sky laws are still a thorn in the side of many of the members of the association. Practically the whole of the report of the legislative committee was devoted to this subject. References to blue sky laws appeared also in the majority of the group reports made to the association, this comment appearing in the report of the Southeastern group: "We again direct attention to the fact that the State of Maryland has no blue sky law. We regard the Maryland situation as ideal."

The position of the association, however, is friendly to such laws. It holds, however, that "they are still in the stage of evolution, and it cannot be expected that either the laws or their administration will become satisfactory before the lapse of some years. In the meantime, the association must work with the current and not against it, for in theory the makers of the blue sky laws are aiming for the same end we are—encouragement of sound securities and the suppression of the unsound."

In order that the association may more effectively work with the blue sky law commissions toward the improving of their methods, and the laws of the various states, so as to prevent fraud, and at the same time not obstruct legitimate business, Arthur G. Davis has been engaged as field secretary for this work. Mr. Davis was for four years a member of the Securities Department of the State of Illinois, and is therefore qualified by experience to work with the various commissions efficiently. It is hoped that with a field secretary, considerable will be accomplished in the coming year to make the blue sky law situation less annoying to investment bankers.

The Commercial Credits Committee—the youngest of all the committees of the association—reported that part of the work that it set for itself in its first report last year has already been accomplished. There has been a distinct improvement in competitive methods. "The practice of granting options to banks (a real evil in the business) while not eliminated, has been somewhat modified. The average time of options, most of the houses report, has been cut down by several days." The committee sharply criticized present policies of commercial banks, as follows:

BANK POLICIES CRITICIZED

"Time was when few banks even in the principal money centers of the country would consider lending even to the best and biggest of their clients at a rate of discount as low as the open market rate for prime commercial paper. There was good and logical reason for this policy. The bank's own client had at all times a *right* to demand his line, if adequate balances were kept, and if his financial condition was sound. The bank had to take care of its customer at all times, such consideration on the part of the bank warranted a somewhat higher rate........

"In recent years, however, a new tendency has apparently developed. Banks are competing for commercial business with each other, and consequently with commercial paper houses, more vigorously than ever before......It has been but natural for them to turn to their own customers, well known to them as prime commercial risks. Extremely large lines of discount have been offered at rates sometimes even lower than country banks could purchase the same names from the commercial paper houses.

"A new school of younger bank men is growing up, among whom there are some who, unaware of the lessons of 1907, 1914, and 1920, close their eyes to the advantages of investing part of their funds in outside commercial paper, where no obligation to renew is involved, and prefer lending to their own customers at low rates, failing to admit the proper function of market paper in the banking system."

Only time, in the opinion of the committee, will cure this situation, but there is no doubt that it will be cured in time, by force of circumstances, and then the commercial paper dealers will regain their rightful place.

There was only one short forum type of meeting which is so common in the A. B. A. conventions during the whole convention. This was what President Morris called a "bread-and-butter discussion," led by Arthur H. Gilbert of Spencer Task & Co., Chicago, Ill. Mr. Gilbert explained that the meeting was a sort of experiment in making the meetings more interesting to the members at large. All men are most of all interested in their own businesses. It has been the policy of Investment Bankers Association, up to the present time, to discuss chiefly external matters. Now, he said, is the time to take up the internal problems of the bond business, and have a mutually profitable exchange of experience.

One thing that most trade associations give to their members, said Morris F. Fox of Morris F. Fox & Co., Milwaukee, Wis., is cost data. He wondered how many of the members of the I.B.A. had enough cost data to decide when a commitment which they are asked to take, is unprofitable. The report of the Investment Research Committee of the Financial Advertisers' Association had convinced him, he said, that investment banking houses are "still continuing rather uneconomical methods of disposing of their merchandise; that the units of selling are constantly diminishing: that the distribution of securities is going into a larger and larger number of hands; that many of the proprietors of originating houses do not appreciate the cost of the present type of distributing so far as the retailer is concerned; and that competition from the buying side has been so keen as to result in the retailer being asked to do business most of the time this year for less than cost." "I firmly believe," he said "*that the majority of the members of the Investment Bank-*

ers Association have not made a cent this year." He suggested that the association might check this up by sending a questionnaire to members, asking them to compare their net profits for 1925 with 1926.

DISTRIBUTION NOT ALWAYS EQUITABLE

Sigmund Stern, Stern Brothers & Co., Kansas City, Mo., said that there are times when the distribution through the smaller dealers is not quite as equitable as it might be, and said he would like to hear from some members of the great originating houses as to how the distribution might be made more equitable and the smaller dealer allowed a larger margin of profit.

Jerome J. Hanauer of Kuhn, Loeb & Co., New York, replying to Mr. Stern, assured him that the interest of the large originating house is identical with that of the small dealer. The great difficulty, he said, is with the manufacturer of the securities, that is, the corporation. Small houses have taken small issues of local bonds on a very small margin of profit chiefly for the advertising it would give them, and have thereby given the corporations a false idea of the margin of profit bonds can be sold on.

Again, in some way, corporations have got their eyes fixed on gross margins of profit, and cannot see that it is better for a corporation to get 95 for a security to be sold to the public at 98 than it is to get 93 for a security to be sold to the public at 94. They insist on the smallest possible gross profit to the bond house.

The opposition of interest, then, is between the maker of the securities, and the sellers of the securities, not between the originating house and the distributing house. The only thing that can be done is to educate the officials of corporations and the officials of goverment that "it is to their best interest to make their bonds popular and to sell them at the right price and permit the public to make a little money and not to sell them at the very highest price that, in competition, they can get."

Unfortunately time did not permit any further discussion, and what promised to be the most interesting session of the convention was stopped after Mr. Hanauer's remarks. It is to be hoped that more meetings of this sort will be held next year.

Speaking on the topic, "Canadian Development and the Canadian Pacific," E. W. Beatty, President of the Canadian Pacific Railroad Company, described the financial policies of that road, which have assisted in its growth

One of these has been "the avoidance of a policy which would lead to a variety of securities in the shape of bonds issued or assumed by the company for acquired property, or to furnish money for new construction, each secured by a different mortgage." Instead, the company has issued perpetual and irredeemable consolidated debenture stock,which differs from mortgage bonds in having no right of foreclosure if the road defaults. It is, however, a first charge against earnings, and if a default occurs, the debenture stockholders take control of the company until the default is made good.

SECOND POLICY

The second policy which has characterized the Canadian Pacific has been the amount of money "voluntarily contributed by its shareholders in the form of premiums on new stock issues or in the diverting of surplus earnings into the property," amounting, over the last 25 years, to an average of $143 paid in for each $100 share of stock.

Third has been the policy of encouraging immigration to dispose of the 18,000,000 acres of land which the company received as compensation for the construction of the railway, and which for seventeen years was a drag on the treasury, but which eventually became profitable to the company, and a service to the country.

Lastly, the company has a diversified income from ocean and coastal steamship lines, telegraph and news departments, mining operations, investments in power companies, hotels, coal mines, motion pictures, and almost every line of business.

With such a financial background, it is not surprising that during the war the Canadian railways "without government intervention, and with a minimum of government control, so successfully administered their affairs that not one hour's demurrage was caused to ocean going vessels by the railways, and during this period the pioneer transcontinental railway of them all, the Canadian Pacific, was able to maintain its ordinary dividends and contribute by loans and other assistance to the allied cause an amount in excess of $100,000,000.

There were three items of interest in the reports of the regional groups of the association. The Eastern Pennsylvania group reported that it had succeeded in preventing the passage of any of the "Giant Power" bills submitted to the Pennsylvania Legislature by Governor Pinchot. It will be remembered that this subject of "Giant Power" came up spontaneously in the last convention, at St. Petersburg, when Richard E. Norton presented a report vigorously condemning the proposals, and so impressed the convention that it took a firm stand against them.

The Michigan group reported that it ran a series of radio talks on investments during the winter, and was "very much gratified at the favorable comments received from all sections. It was quite surprising to find the number of people who actually waited for these talks and listened in on whatever night they were broadcast."

The Minnesota group reduced to writing the qualifications necessary to make a bank's bond department eligible for a dealer's discount on securities:

1. Such bank shall maintain a bond department which includes at least one man who devotes practically his entire time to the purchase and sale of securities.

2. It shall be the practice of such bank at resasonably frequent intervals, to make definite commitments for securities with a view to distributing them.
3. It shall further be the practice of such bank to prepare and distribute at reasonable intervals a list of the securities which it has for sale.

At the close of the convention, the following officers were elected to serve for the year 1926-1927: President, Pliny Jewell, Coffin & Burr, Inc., Boston, Mass; vice-presidents, Joel E. Ferris, Ferris & Hardgrove, Spokane, Wash.; Arthur H. Gilbert, Spencer Trask & Co., Chicago, Ill.; Henry R. Hayes, Stone & Webster, Inc., New York; Robert H. Moulton, R. H. Moulton & Co., Los Angeles, Calif.; and B. A. Tompkins, Bankers Trust Co., New York; executive secretary, Alden H. Little, Chicago, Ill.; assistant secretary, Clayton C. Schray, Chicago, Ill.; educational director, Samuel O. Rice, Chicago, Ill.; field secretary, Arthur G. Davis, Chicago, Ill.; and treasurer, Frank M. Gordon, First Trust and Savings Bank, Chicago, Ill.

Governors elected included: Ray Morris, Brown Brother &.Co., New York; George Whitney, J. P. Morgan & Co., New York; Joseph R. Swan, Guaranty Co., New York; Clarkson Potter, Hayden, Stone & Co., New York; George B. Caldwell, New York; Jerome J. Hanauer, Kuhn, Loeb & Co., New York; Walter S. Brewster, Russell, Brewster & Co., Chicago; William J. Wardell, Bonbright & Co., Chicago; Henry C. Olcott, Continental & Commercial Trust & Savings Bank, Chicago; Carroll J. Waddell, Drexel & Co., Philadelphia; Charles D. Dickey, Brown Brothers & Co., Philadelphia; F. D. Nicol, Nicol, Ford & Co., Inc. Detroit; Sidney R. Small, Harris Small & Co., Detroit; R. A. Wilbur, The Herrick Co., Cleveland; Kelton E. White, G. H. Walker & Co., St. Louis; Henry T. Ferriss, First National Co., St. Louis; Max O. Whiting, Harris, Forbes & Co., Inc., Boston; John P. Baer, John P. Baer & Co., Baltimore; Simon J. Block, Nelson Cook & Co., Baltimore; John E. Jardine, Wm. R. Staats Co., Inc., Los Angeles; Charles R. Blyth, Blyth, Witter & Co., San Francisco; Benjamin H. Dibblee, E. H. Rollins & Sons, San Francisco; Hugh W. Grove, First Wisconsin Co., Milwaukee; Edgar Friedlander, Edgar Friedlander, Cincinnati; J. H. Gundy, Wood, Gundy & Co. Ltd., Toronto; Sigmund Stern, Stern Brothers & Co., Kansas City; Willis K. Clark, Geo. H. Burr, Conrad & Broom, Inc., Portland Ore.; Charles T. Sidlo, Sidlo, Simmons, Day & Co., Denver; John Dane, Marine Bank and Trust Co., New Orleans; J. L. Seybold, Wells-Dickey & Co., Minneapolis; Robert R. Gordon, Gordon & Co., Pittsburgh; George V. Rotan, Neuhaus & Co., Houston.

SPEAKING OF CONVENTIONS

BY A CAMP FOLLOWER

Here are some thoughts on conventions by a banker whose duties require his attendance at many in all parts of the country.

THE season is now on. The banker, the butcher, the baker,—the candlestick maker, all are on the go!

Genial and affable secretaries are burdening the mails with programs, itineraries and seductive apeals, while over the desks of business, executives are pondering the questions "Shall we go?" "Who shall go?" "What will be the expense?"

There are many interesting sidelights about a convention—and all conventions are alike. Ye delegate arrays himself in his best, becomes at once an easy target for manicurists, bell hops, barbers and taxi drivers, and, altogether, parades in a maze of unaccustomed routine.

At home, an outstanding force against the evil of cigarette smoking, the homefolks at their modest meal, way back in the interior, would be shocked to look into the brilliantly lighted dining room of the fashionable hotel where the convention holds forth and observe paterfamilias clutching a burning cigarette between thumb and forefinger and puffing out the smoke with staccato cadence similar to the exhaust of a gasoline engine. He doesn't enjoy it, but is in line with the trend.

He lounges around the corridors, the wearer of emblems that flutter the name of his association, and is further decorated with a badge on which is written his name and address.

Be sure he is being stalked!

Big business has the fashion of sending to conventions its brightest young men and some seasoned officers. One of the prime objects is, of course, to meet old customers as well as lay the groundwork for new connections. The deploying, therefore, around convention headquarters, is always interesting, and frequently amusing. Your customer likes to be recognized by you or your representative when you greet him. If he catches your glance directed at his identification badge while being warmly shaken by the hand, the psychology is bad—hence the furtive peeps and side glances, the endeavor to make sure, from long range and short range, and then the charge!

CALLED "CAMP FOLLOWERS"

There's something of a camaraderie between the young men who regularly follow conventions in the interests of their houses. Some one has called them "Camp Followers" and the term applies very aptly. While frequently open competitors, they are just as often helpful to each other, in lining up acquaintances and prospects. Frequently they travel together, in a special car, just like a traveling theatrical company, and take in one convention after another.

You know, these "Camp Followers" are a pretty keen lot, in sizing up and analyzing conventions they attend all over the country, and in talking with one of them, a seasoned representative of one of the largest banks in the country, the reflexes were quite illuminating.

"If you had the ordering and arranging of programs for bankers' conventions, to what extent, if any, would you introduce changes from the present or usual procedure?" he was asked.

He smiled, assumed a thoughtful expression and then turned quickly to answer.

"Why the first thing I would do would be to visit the point at which the convention is to be held, seek out the committee charged with making selections of those handling the local part of the program, such as address of welcome and toastmaster for the dinner, and I would pray the committee to observe these 'don'ts':

"Don't put on a man who is either seeking or holding public office, unless it be the mayor. Avoid lawyers or public speakers of the character that seek prominence and like to get into the limelight. Bank conventions run on a limited schedule, the personnel is of the hard-boiled business variety, and those present would prefer a few words from your most modest, retiring banker, than listen to the greatest orator your community can produce.

"If you insist upon presenting to the convention the present, past and future growth and development of your town or city, *print* it, and put a copy in each chair; the banker can take the copy home with him, if interested.

"Don't fall for the insistence of some enterprising manufacturer, seeking prominence before the banking class, to have the association drag its way through a lot of factory dust to witness the manufacture of something in which the members have but remote interest. Leave the convention to boil in its own teapot. It will be lots happier.

"Don't select, as vour toastmaster for the dinner, a man who will consume most of the evening 'strutting his own stuff.' Get one, even if a poor one, who will give the regular speakers a chance. These finds are rare—but are worth seeking.

THE "TOASTMASTER EVIL"

"This toastmaster evil," continued our friend, "is one that I have seen grind the very vitals of many a large dinner party. The local committee, anxious to compliment some outstanding shining light of the communitv who does not often get a smack at a big assembly of bankers, puts him on and he sweeps the very horizon for more to say. He reminds us of the incident in which a little country boy happened to meet the bass horn blower, with the big tuba wound around his body, away from other members of the band, at a country picnic, and timidly inquired: 'Mister, is you de band?'

"But," he continued, "I would not stop with the local committee—not by a jug full! I would go just as hard after the executive committee, or the secretary, or whoever, at headquarters of the association, frames the program.

"My 'don'ts' to them would run along like this:

"Don't make the common mistake of crowding your program.

"Don't allow any corporation, however prominent, to get a representative on your list of speakers who, despite skilful camouflage, is plainly sent out and is indirectly speaking in the interest of said corporation. Don't hesitate to use the gavel when the speaker to whom you assigned fifteen minutes has stretched into twenty-five, and is still sailing prettily before the wind.

"Don't fail to coach your speakers, inexperienced in talking before bankers' gatherings, that in addressing the association on a general topic of banking if they make the common mistake of going back into the primary history of the subject, dealing with money changers of the Temple and gradually drawing down, with an outline of the various currencies and forms of exchange, they will be simply pulling hair from the quivering flesh of a suffering audience. For so long bankers have had to sit and listen to thumb-worn recitals of this story, taken from encyclopedias, that whenever a brother opens up on the subject you can see them reaching for their hats!

"After all," concluded the seasoned representative, "I cannot think of a better suggestion to throw to secretaries and others who manage the programs for bank meetings than the suggestion that some plan be adopted by which their own members be given more representation on the convention floor. Make 'em talk; call on the young bankers here and there, ask for remarks from the country bankers of the different sections. They are loyal members, attending from all sections of the state, and the oftener you can get them on their feet and get their remarks into your published minutes, the more popular you will make your association."

CODE OF ETHICS ESTABLISHED BY ILLINOIS BANKERS ASSOCIATION

THE establishment of a rigid code of ethics and the setting up of machinery to see that it is strictly enforced is announced by the Illinois Bankers Association.

Printed copies of the code have been distributed to member banks in the state to be displayed in the bank lobbies.

At the same time a grievance committee, the personnel of which the association refuses to make public, has been appointed to investigate any complaints that may arise from the general public against individual banks charged with violating any part of the code. Complaints will be received and handled in much the same way that bar associations treat complaints against lawyers, according to an announcement from the headquarters of the bankers' organization.

"This move by the Illinois Bankers Association has not been occasioned by bad practices by genuine banks," the announcement says. "We are confident that no state in the Union has a more honest or trustworthy set of bankers than Illinois.

"There are, however, in this state, a considerable number of institutions which, while not calling themselves banks, do what appears to be a general banking business, but are not in fact genuine banks. They are not chartered as banks, they do not protect themselves with the financial safeguards which good banking requires, they are not subject to the periodic inspection by state officials which real banks undergo, and their officers know almost nothing of the banking business, although they are usually good salesmen and are sometimes adept in what is known as 'high finance.'

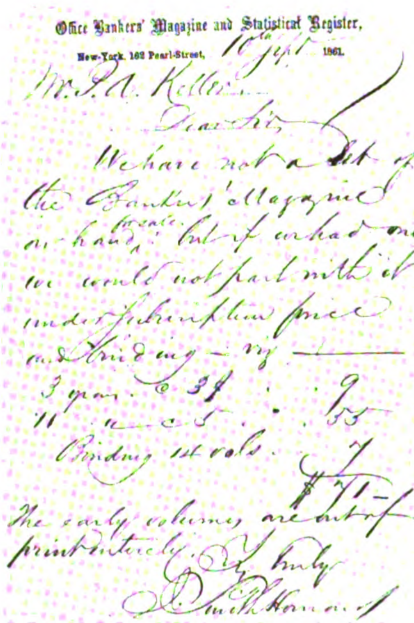
"The Illinois Bankers Association has adopted its code of ethics and has formed its grievance committee to enforce it because it feels the necessity of enabling the public to know when its members are dealing with genuine and dependable banks, as distinguished from institutions established by neighborhood Ponzis.

"The framed code of ethics prominently displayed in a bank's lobby becomes a contract with the public that the institution conducts a genuine banking business, subject to regulation and control by the state or federal government, that its officers are quasi-public officials with a sense of responsibility and public duty, who, furthermore, are bound to so conduct the affairs of the bank as to warrant the utmost confidence that would be reposed in them."

SUBSCRIPTION RATE UNCHANGED FOR SEVENTY-SEVEN YEARS

DURING the great advances in prices in practically everything during the last seventy-five years, one thing has remained the same—the subscription rate of THE BANKERS MAGAZINE, which has been $5 a year for the last seventy-seven years. In 1850 the price was advanced from the original rate of $3 a year.

The subscription price is commented on in an letter written by the publisher



of THE BANKERS MAGAZINE in 1861. A photostatic copy of this letter, sent to the magazine recently, shows it as reading:

"Mr. P. A. Keller,

"Dear sir:

"We have not a set of the Bankers' Magazine on hand for sale but if we had one, we would not part with it under subscription price and binding, viz.—

" 3 years at $3	....	$ 9
"11 years at $5	....	55
"Binding 14 volumes	....	7
"Total	....	77

"The early volumes are out of print entirely.

Yours truly,
J. Smith Homans, Jr."

The following letter from Henry Detjen, cashier of the Manitowoc Savings Bank, Manitowoc, Wis., further explains the reproduced manuscript:

"Editor THE BANKERS MAGAZINE:

"Under separate cover I am sending you a photographic copy of an envelope and a letter written by your firm in 1861. Inasmuch as you just celebrated your eightieth anniversary I thought you might be interested in seeing some of your own stationery of sixty-four years ago.

"I was very much interested in noting that your paper for the first three years had a subscription price of $3.00. Then you raised it to $5.00, at which figure it remained for the next seventy-seven years, which is without parallel in any other line.

"If you can make any use of these you are welcome to them."

THE STABILITY OF EUROPEAN EXCHANGE*

By Paul M. Atkins

ONE of the most significant indexes of the financial and economic position of a country is found in the stability of its foreign exchange. If exchange is stable, economic conditions may be considered as approximately normal, subject of course, to the usual periods of business depression and acceleration.

If foreign exchange is not stable, however, one may rest assured that business conditions in that country are not sound. It may be, as is now the case with France, that other than business factors are the prime causes of the instability of exchange, or the contrary may be the fact as seems to be true for Norway at present. Whatever may be the cause of the instability of foreign exchange, the effect on business is undesirable. It makes no difference whether the national currency is rising or falling on the exchange of the world, business suffers.

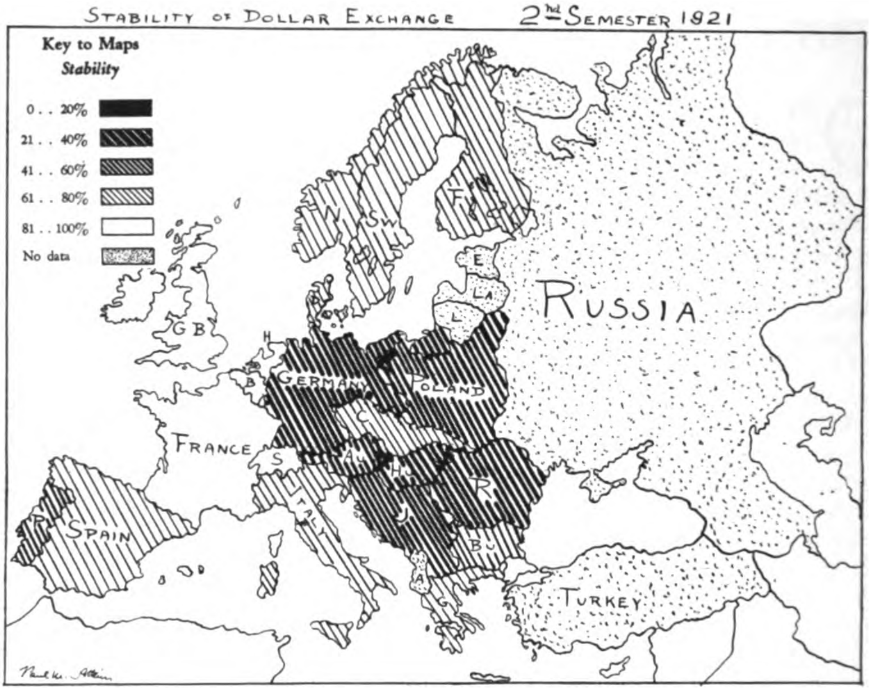
There are certain misconceptions in regard to this matter which are frequently encountered. One of these is that a falling exchange is beneficial to a country by giving it an edge on the world's markets due to its ability to undersell competitors. This increases production within the country and so makes business profitable. It is a short-sighted view of the whole matter, however, for such a course of action is an artificial stimulant to business which results in apparent prosperity but actually in loss. This result is due to the fact that goods produced within the frontiers are being shipped out and the national resources are depleted without—as in the case of trade under stable exchange conditions—a commensurate return being received. This happened a few years ago in Germany and is now taking place in France and Belgium.

On the other hand, a rising exchange is also unfavorable to business. Rising exchange is supposed to make a country a good place in which to sell goods, because a rise in the price of currency means an increase in prices there. An influx of importations results in a lessened consumption of domestic goods, however, and hence a lack of orders is experienced. Unemployment is a natural consequence, the purchasing power of the masses is reduced and all business suffers. Denmark and Norway have been going through just such experiences during the last year or so.

RISING VS. FALLING EXCHANGE

Of course, there is this marked difference between rising and falling exchange and the resultant effect on economic conditions. There is a very definite limit to which exchange can rise, namely—par. Rising exchange generally is based on real economic soundness and hence a steady, definite movement upward paves the way for normal conditions and, in the end, comparative prosperity. There is no limit to falling exchange, however, short of zero, with practically national bankruptcy.

The study of the stability of the foreign exchange of the various European countries is very enlightening. In the accompanying charts are shown, both graphically and geographically, the differences in stability between two periods five years apart. It will be noted that the foreign exchange of Austria, Germany and Hungary was 100 per cent. stable during the first half of 1926. In the case of Germany this was due to the "pegging" of exchange. In all three cases, exchange was at par. During the last half of 1921, the exchange of all three countries was highly unstable and during the intervening period at various times, it was even more so, falling to approximately zero stability during two



Maps showing geographic difference in stability of dollar exchange between two periods five years apart.

years in the case of Germany, to 3.1 per cent. for one year in the case of Austria and 9.5 per cent. in the case of Hungary.

Czechoslovakia has had almost perfect stability during the first half of 1926, although her currency during this time has been heavily depreciated. The same can be said for Jugoslavia. It is interesting to find these countries in the same group with Great Britain, Holland, Sweden and Switzerland, whose exchange at par and whose financial standing is the highest in Europe.

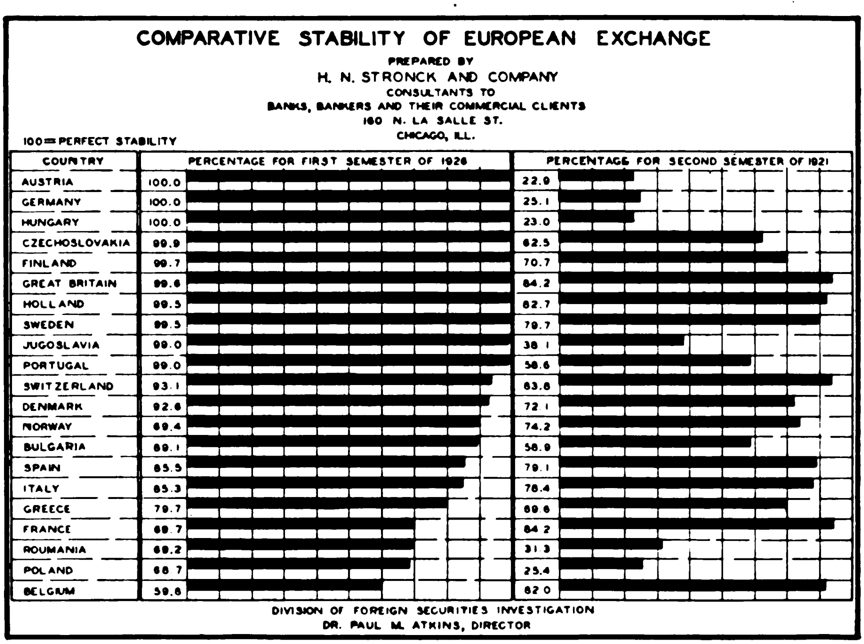
It will be noted from the charts that there is a distinct trend toward greater stabilization of exchange on the part of most European countries, the principal exceptions being France and Belgium. This stabilization has not been reached at a single jump but has been attained gradually.

The first step has been an approximate balancing of the governmental budget, for a complete and final balancing cannot be obtained until a relatively stable exchange is established. It is essential at this point for the government to show a real readiness to make needed sacrifices and for the country to have taxable resources sufficient to make the balancing of the budget practically possible.

The second step is reduction of the fluctuations in exchange without an effort to fix any definite exchange point. During this period it is necessary for the bank of issue of the country to strengthen its gold reserve by various means and usually to arrange for loans with banks in countries on a gold basis to be used, if necessary, during the next period.

The third step is to fix and maintain a definite gold exchange point about which the fluctuations will be limited to what would normally exist in the case of a country on a gold basis. During this period the country may be said to be on a "gold exchange" basis. A considerable length of time should be allowed to elapse during this period in order to let the exchange "season."

The final step is to give full and com-



Graphic comparison of stability of European exchange in 1921 and 1926.

plete legal recognition to the condition which has become gradually established during the preceding period.

ALL PERIODS REPRESENTED IN EUROPE

There are countries in Europe in all of these periods at the present time. In the first of these may be placed France, Belgium, and Poland. In the second is such a country as Italy. In the third are Denmark, Czechoslovakia and Jugoslavia. The exchange of the second named country of this group has had a sufficient seasoning and that nation is now ready to go on a gold basis. Finland passed from this stage to the last only at the beginning of this year. Austria, Germany, Great Britain, Holland, Sweden, etc., have reached the final position in this matter.

It is astonishing to see how many European countries are back once more on a gold basis or are fast approaching it, so soon after the World War. The United States passed fourteen years after the Civil War before they resumed specie payment and it was thirty-five years after that struggle before full legal authority was accorded the gold standard.

The stability of foreign exchange is not only a matter of general interest but a question of vital importance to American exporters and financiers. A stable exchange means that goods purchased can be paid for provided the firm buying them is sound. It means also that it will be possible to secure the exchange necessary to pay interest on loans made in a foreign country, other things being equal. It is a good indication, however, that conditions within a country have reached such a normal status that that country has become a reasonably sound location from the economic standpoint for the placing of loans.

Stability of foreign exchange, therefore, although it is not the only element to be considered in judging the economic position of a country and while it does affect other factors to a certain extent, nevertheless, it serves to reflect clearly so many phases of the economic and financial progress of a nation that it has peculiar significance as an index of the welfare and rehabilitation of European countries. It merits constant study on the part of those who are interested in foreign economic affairs.

HOW THE CREDIT DEPARTMENT IS ORGANIZED

By M. E. Robertson

CREDIT information is of little value unless it is submitted promptly. When information comes into the bank concerning its own risks, the officers are naturally anxious that it should come promptly to their attention. This is particularly true of unfavorable data received. When a person writes to a bank for information, he is usually anxious to receive a prompt reply. Many times credit is held up pending a reply to a written inquiry made of a bank. In the case of commercial paper, it is usually sold on a ten day option giving the purchaser an opportunity to check the name within that period. Of course, some inquiries are from those who are merely revising their files, but these, too, warrant prompt attention.

It is, evident therefore, that irrespective of the size of the department (whether two persons or one hundred persons) everything must be given prompt consideration for full efficiency. There are naturally many details which must be taken care of. In the small organization few records are kept, and the people in the department carry the details in their heads. While, of course, this is not desirable and many times does not work out to advantage over a long period, it is the method followed in many cases for purposes of economy. Over a long period it is likely to prove an expensive method. In the smaller bank, the officers are likely to carry the credit file largely in their heads. The results of interviews, unfavorable information received, etc. are not written up in any form in the credit file. It is unusual for any follow-up records to be kept for financial statements, agency reports or for, "out-files" to be placed in the file when files are removed. As the organization grows, these methods must be added to enable it to function properly. Finally the institution arrives at a point where such systems as these are found absolutely essential.

HOW CREDIT DEPARTMENT FUNCTIONS

In order to gain an idea of how a good sized bank credit department functions, we will take an actual example. In the department selected for analysis there are about fifty persons and every known method is used to enable it to function with the greatest efficiency. This means not only getting in all information possible on the names in which it is interested, but getting it in, analyzing and distributing it promptly.

The accompanying diagram gives the set-up of the department. The staff is divided into groups as follows:

1. Credit manager.
2. Assistant credit managers.
8. Division men.
4. Account revision men.
3. New business investigators.
5. Inquiry investigators.
5. Statement division clerks.
1. Bank investigator.
12. Stenographers.
12. Filing clerks.
1. Correspondent.
3. Boys.

The credit manager has general supervision of the department. With the assistant managers and the eight division men, he makes up a committee. These are the key men of the department. He meets with them regularly, discusses the working of the department and thus keeps in close touch with all that is going on. The credit manager signs all outgoing mail on all the accounts of the bank.

The two assistant managers supervise details, generally assist the manager, and sign all mail on non-accounts.

Four of the division men handle what is known as the account divisions. The alphabet is divided into four sections,

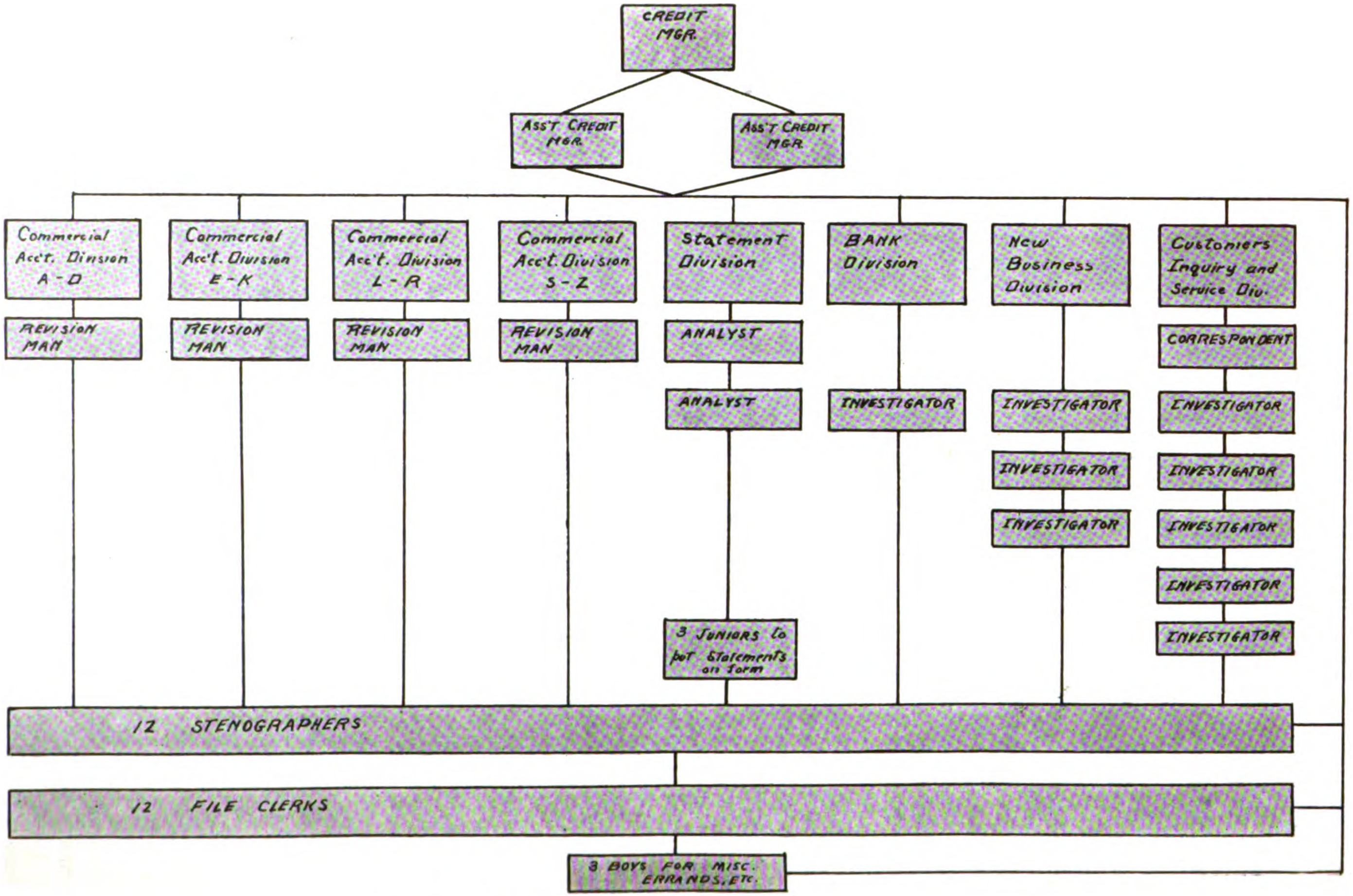


Diagram showing set-up of model credit department.

according to the volume of work, and each man handles a section. He receives the mail inquiries from the filing department as early in the day as the filing department has had an opportunity to list the mail, gets out the file, the previous reply made to the same inquirer on the same name, and gives this all to the division man.

The account division men answer all verbal inquiries received. They are responsible for the revision of account files. They analyze the credit on completion of revision or when any particular information is received, and submit it to the interested officers. They are the contact point between the loaning officers and the credit department on all accounts. The officer usually talks direct with the division man.

The officers of the bank write up all interviews with customers for the credit file. The officer's secretary removes the sheet from the file intended for this purpose, and writes up the interview as dictated. She clips this sheet to the top of the file (not back in the file), and sends it to the credit department where a boy routes it to the proper division man. The division man reads it, makes a brief extract of the story for the officers' bulletin, notes any comment needing follow-up, initials it and sends it through to the files where it is clipped back in the credit folder, which is in turn filed away. The division man in this way keeps in touch with all accounts in his division, and is well posted. Nothing in the way of correspondence, dictation, etc. relating to an account is filed away by the filing department without its being initialed by the division man.

One division man handles banks, and his work is identical to that of the commercial account division men.

ONE MAN HANDLES STATEMENTS

One division man handles statements. All financial statements received into the bank are sent to this division. Some officers prefer to acknowledge a statement before sending it to the department. This division puts the statement on the comparison form, analyzes it, prepares a questionnaire of information lacking, and returns it to the interested officer. It keeps the follow-up records. Both the questionnaire and the follow-up system have been described in previous articles. The division head and his assistant do the analyzing and there are three others who place the statements on forms. All requests for statements, additional information, etc., are given to this division for follow-up. They bring the follow-up cards to the attention of the division man for new statements, data to be written for, etc. This division also puts the statements on forms for the bank division and the new business division.

One division man has charge of the new business division. All new business prospects are routed to him. He takes care of having proper investigation made, and analyzing the proposition. He sees that only those are interviewed which the bank should interview, and that there is not a breach of ethics.

There is a division man in charge of the non-account section. He receives from the filing department the inquiries, together with whatever is on hand concerning the party inquired about. He determines whether an investigation should be made, outlines it, assigns it to an investigator, follows him up and when the inquiry is ready to be answered, turns the information over to the correspondent to write the letter for the signature of the assistant credit manager. It is customary in the operation of this division to acknowledge inquiries as soon as received, stating that information is not up-to-date and that an investigation will be made when such is the case. On completion of the city investigation, it is customary to write the inquirer, advising him of data at hand and stating that out-of-town letters have not been received. Every effort is made to keep "feeding" something to the inquirer.

Each commercial account division man has an account revision man to work with him. This revision man takes care of revising the files on the borrowers in his division by means of periodic investigations, working close to the division man.

THREE INVESTIGATORS

The new business division man has three investigators to whom he assigns the work, and who do the routine checking as prescribed by him.

The non-account division man has five investigators to do the checking for this division. These investigators of non-accounts put financial statements on forms for the names which they check All other statements received into the department are, as mentioned above, put on by the statement division.

The statement division man has two assistants to help him in analyzing, and three juniors who actually put the statements on forms and keep card records The statements are put on by typewriter and checked by the person analyzing.

The twelve stenographers work for

the various division men, revision men and investigators. They are assigned each week by schedule made by an assistant manager in charge of personnel. About three of these operate dictaphones which are used by investigators. In the city, all investigators are out most of the day calling on people, and desire to dictate at about the same time. By use of the machine much trouble is saved.

The filing division, made up of twelve clerks, is an important division. In this division much trouble can originate. Some of the work which this division performs is as follows:

Filing folders, getting them from file and routing them on request.

Clipping into the folder all loose sheets.

Placing outfiles in the file for the folders removed.

Ordering agency reports, and following through until received.

(Reports requested by officers or division men.)

Clipping and filing newspaper articles as marked by the division men.

Locating folders out of file.

Making new folders.

Receiving and distributing all mail, and listing inquiries.

Filing inquiries and replies thereto after answered.

Preparing all mail inquiries for answering by getting out files and previous reply to same party.

INQUIRIES RECEIVED

In the course of the day, the bank receives quite a number of inquiries. When received, the filing department gets out the file. In the back of this file is a list of all mail inquiries received according to day. This list is made by the secretary to the division man. At the time of answering the inquiry, she enters in the file the date and the name of the inquirer. This list is kept in the back of the file. The filing department, upon receipt of an inquiry and after locating the file, looks this list over for the last previous inquiry. If one is located, the date is noted on the present letter of inquiry and the file clerk then goes to the inquiry file and locates the letter. All replies to inquiries, together with the inquiry, are not filed in the credit folder direct, but are filed according to date. The inquiries answered on any one day are all clipped together and filed under this date, which corresponds to the date on the sheet in back of the file. This prevents individual folders as well as the active section of credit files from getting bulky.

Many details enter into the filing work, and every safeguard must be used to keep accurate track of files. When an officer has a customer at his desk and wants the file, it must be located promptly. For this reason, when a file is removed a folder is put in its place which contains a slip showing to whom the file is charged and the date. Each night a list is made by one of the file clerks of all files on officers' desks, and the "out-slips" changed accordingly. The matter of an agency follow-up system was taken up in a previous article. A card record is used, the card being made when the agency report is ordered. When received, the card is destroyed. Once a month the cards are gone over and a list prepared of all those ordered more than two weeks previously and the assistant manager sends such a list to the agency.

The department maintains a library which consists of various publications, chief among which are:

Moody's Manuals.
Poor's Manuals.
Poor's Cumulative Daily Digest.
City Directory.
Dunn's Directory.
Bradstreet Directory.
Real Estate Directory.
Directory of Directors

These publications are well known to most bankers and there is much need for them in the large credit department.

A large department has been taken as an example in order to give an idea of how it functions as to the division of the work and the routing of data. In the smaller department the troubles are less complex.

The above plan is capable of use in a moderate sized department by cutting down the divisions and can be greatly expanded by adding divisions.

ARE BANKERS AND MERCHANTS COMPETITORS?

As Told to John A. Goodell

BY SAMUEL W. REYBURN

THIS was the question put to Samuel W. Reyburn, president of Lord and Taylor's store, New York, by John A. Goodell, executive secretary of the National Thrift Committee of the Y. M. C. A., in an interview with this distinguished citizen who has had successful experience, first as a banker and now as a merchant. His opinion will be of interest to all bank officials who have considered to what extent financial leaders can go in promoting thrift in their communities without interfering with the buying power of the citizens on which merchants depend for their business prosperity.

THRIFT THE FOUNDATION OF PROSPERITY

"The more far-sighted the business man, the more fully he realizes that thrift is the very foundation for the continuous and growing success of his business." This was Mr. Reyburn's terse summing up in a single sentence of the progressive merchant's point of view. The statement was made in answer to the question, "What can the banker do to promote thrift without unnecessarily interfering with the buying power of the community?" It is a firm conviction of this prominent merchant that the bankers can go the limit in developing thrifty citizens without in the least handicapping business prosperity.

"In fact", he said, "any merchant who thinks otherwise should be taken in hand by bankers, industrial leaders, and educators and shown his error. Why, the business of merchants depends on the prosperity of the community. A city or town peopled by thrifty folk, thrifty in the best sense of that term, will always, other things being equal, be more prosperous than a place where the inhabitants aren't much interested in personal economic achievement."

Sound logic from an experienced authority. Yet bankers in numerous cities do find some of the most prominent dealers in merchandise objecting to the

S. W. REYBURN
President Lord and Taylor, New York City.

wholesale promotion of thrift by the banking fraternity. "How do you account for the existence of this situation?" I asked Mr. Reyburn, who came to the metropolis from Arkansas, where he started out as a boy on a farm, and left that for a laborer's job in a sawmill. At 16 he became a clerk in a railroad office in Little Rock, studied, attended school at night, graduated as a lawyer at 22, practised law and founded the Union Trust Company of his home city. There he built up a reputation for himself as a successful banker. Until recently he was a director and chairman of the board of the Union Trust Company of Little Rock, director of the Guaranty Trust Company and the North River Savings Bank of New York City and several other large concerns. He gave up active connection with banks December, 1924, to become a Class "B" director of the Federal Reserve Bank of New York. He flashed back a brief but clear cut answer indicating unusual familiarity with the problem.

"Such business men have not taken the time to think through and understand the matter. I believe there are only a few of them", he affirmed. "Perhaps an intensive thrift drive in a community would effect a slightly reduced retail business for a short time. In the long run, over a period of years, it would have exactly the opposite effect. People would buy better quality goods. They would be better satisfied with what they purchased. The merchants would build good will—a vitally important asset. And furthermore", he added, "thrift helps people to get out and keep out of debt. That is of tremendous advantage, especially to merchants who have credit departments.

FAVORS COOLIDGE ECONOMY

"I am greatly surprised to learn how some business men fear that certain of President Coolidge's statements about economy may react unfavorably against industry. As a merchant I am always glad of the opportunity of publicly indorsing the splendid talks which have been made by the President on the subject of thrift, one of which referred to the National Thrift Movement. It seems to me that those who hastily interpret President Coolidge's economic comments to mean the drastic or complete cutting down of all expenditures, do him a grave injustice; for, in word and in deed he has frequently given evidence of his firm belief that trade and the unhindered flow of economic goods constitute the life blood of a nation."

ARE BUDGETS BAD FOR RETAIL BUSINESS?

Many banks have urged the use of budget books in keeping accounts of personal and family finances. This is often a feature of their thrift promotion endeavor. The use of such methods is supposed to make for more cautious spending. "Could the general adoption of the budget habit by the American people possibly hurt the business of merchants?" I asked.

"Certainly not, in the long run, as far as those merchants are concerned who have honest goods at reasonable prices", said Mr. Reyburn. "Theodore Roosevelt once stated it to be his opinion that thrift was common sense applied to spending. To my mind thrift is not synonymous with parsimony, but with prosperity. It is not a negative force resulting in the refusal to buy and in the stagnation of business, but a constructive force which implies health, strength and vigor in the economic system, and which lays the foundation of that courage and confidence which have made the remarkable economic development of these United States possible. Merchants should be delighted to have bankers boosting such economic health, strength and vigor.

"Thrift is the very basis of successful business endeavor. Clear visioned merchants realize this fact. Experience teaches us all along the line, from the raw material, to the manufacturer, to the jobber, to the retailer, and into the hands of the ultimate consumer, the individual man or woman, that over-buying or purchasing beyond one's resources inevitably results in disaster. If the manufacturer over-sells the jobber or middle man, he loses a customer for some time to come. An over-supply of merchandise on the shelves does not increase the good will of the purchaser toward the supplier who influenced him in making this extravagant commitment. The retailer who over-sells the customer injures himself as much as he may injure his purchaser.

"Business men are coming to look upon their sales more and more from a two-fold point of view. First, that each transaction should be carried on at a reasonable profit. Second, that each sale to a customer should be such as to build up his good-will. We feel in Lord & Taylor that our business is absolutely dependent for its existence upon the good-will of our customers and we fully realize that unless our relations with our customers are based on the idea of thrift, or judicious buying, we shall lose their good will and injure ourselves as much as we injure them.

CREDIT SYSTEM NOT CAUSE OF EXTRAVAGANCE

"The idea of extravagance is sometimes associated with the extension of credit and the use of charge accounts. Credit, like every other constructive force in our civilization, is subject to abuse. Probably more news appears about the abuse of credit than about the proper use. A well run store which extends credit, as a matter of fact, carefully and systematically watches the purchases of charge customers so as to discourage purchasing beyond the danger point which has been determined in advance for each account from the information the customer has furnished. Such a check and a monthly itemized statement no doubt are an aid to many people in thrifty budgeting. Indeed the retailer who encourages his customers to make extravagant purchases may easily find himself in a position where he cannot realize on the amounts owed him and, therefore, fails in business. As thrift leads to healthy growth, so extravagance leads to disaster—whether it be of a business or an individual.

"These principles are so fundamental, and so generally accepted by an intelligent and enlightened American public, that they have no news value except in the light of specific events or conspicuous exceptions. The unethical trader who attempts to rush the public into purchases, regardless of future consequences, is the exception, rather than the rule. I firmly believe that the majority of modern business men govern their business policies by the desire to combine present profits with the goodwill of their customers—that is to say, thrifty or judicious purchasing today, leading to thrifty and judicious purchasing on a larger and more profitable scale at some future date."

We were seated in Mr. Reyburn's office located on the eighth floor of the famous establishment of which he is the head. The charm of the room is enhanced by the artistic wood finishing imported from England. Beautifully designed furniture and a home-like fireplace added delight to the effect. A row of books indicated something of this merchant's love of knowledge. At one end was an encyclopedic law dictionary and at the other end a copy of the Bible. My last question was, "How can bankers more effectively win the co-operation of merchants who feel that thrift promotion interferes with the buying power in the community?"

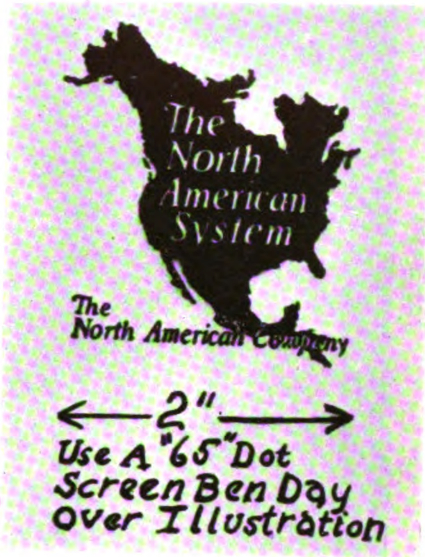
"Bankers can take the pains to give merchants their point of view. Educate them as to the real value of thrift inspired prosperity. Talk it over with them That's what we did in Little Rock some years ago. We convinced them that a thrifty community was a good thing for all of us—that our interests in this respect were indentical. The same principle holds true wherever one goes And you can take it for granted that the more bankers participate in such programs as, for instance, the National Thrift Committee with its banker-chairman, Adolph Lewisohn, giving it wise leadership, the more readily will merchants sense the real value of thrift and also become promoters or this practical virtue."

TRANSMITTING FINANCIAL ADVERTISING BY WIRE

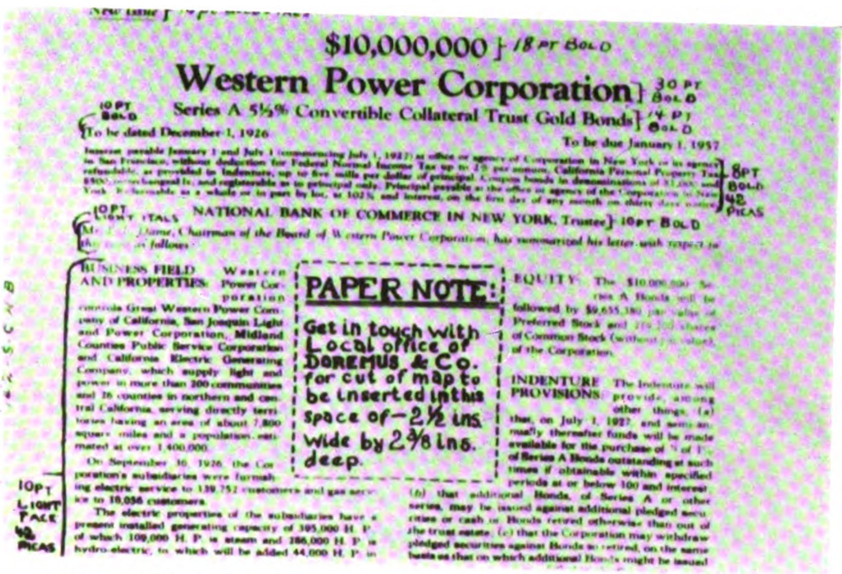
TELEPHOTOGRAPHY, the new service of the American Telephone Company by means of which photographs can be sent by wire, was used for the first time in the sending of financial advertising copy recently when Doremus & Company sent an advertisement for a new bond issue of the Western Power Company from its San Francisco office to Boston, Chicago and New York.

Heretofore the advertising agencies have, in similar emergencies, used telegraph service to wire the copy to publications in widely separated points but this has taken constant checking and re-checking for accuracy and has been both laborious and costly. By the new method the copy, with layout and instructions as to its setting, can be sent simultaneously to the various cities where it is to be used, and at a much less cost.

The advertisement "broke" late in the San Francisco office of Doremus & Company and, in order that the ad appear simultaneously in newspapers in the four cities, the telephotograph, which



Map for insertion in advertisement. Marked with instructions for engraver.



Upper half of advertisement of Western Power Corporation as sent by telephotography.

LINCOLN TRUST COMPANY,
SCRANTON, PENNA.

MORGAN, FRENCH & CO., INC.

ARCHITECTS AND ENGINEERS

19 WEST 44TH STREET

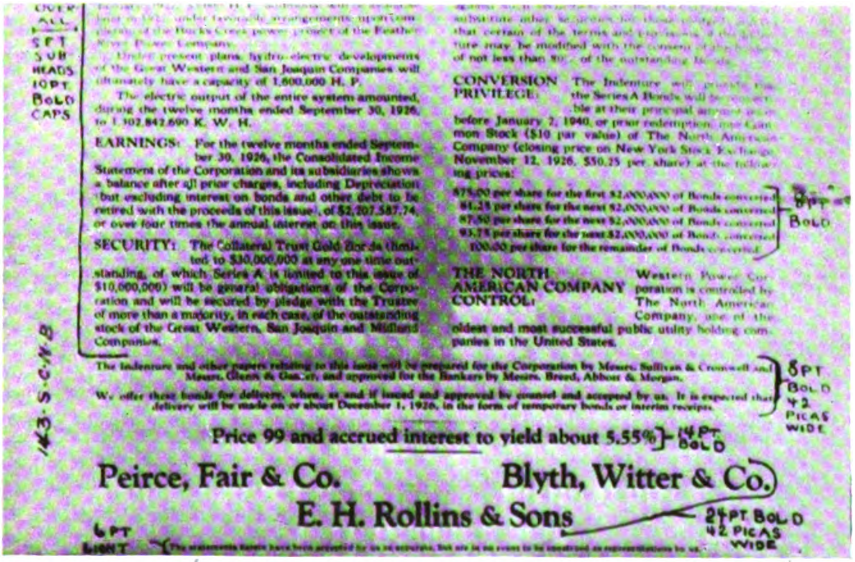
NEW YORK

has been but recently installed, was used.

The process consisted of photographing the ad, after notation had been made on it as to size and style etc. From this negative a positive was made on a film which could be bent into a cylindrical form for transmission. This film was then inserted in a photo-electric cell. The film constituted a transparency which was rotated slowly while light was transmitted from a lamp to the surface of the transparency so that its entire surface was subjected to the spot of light. The effect of the light on the photo-electric cell was to start an electric current. This was then amplified by apparatus similar to radio amplification and transmitted to the point of reproduction.

Seven minutes was required to "run off" the film at the sending end and, as transmission was instantaneous, the picture was transferred to the sensitized film at the receiving end as soon as the "running off" process had been completed. The whole process was completed in less than an hour and the cost of sending the ad from San Francisco to the three eastern cities was $60.

The dried film was then delivered to the various newspaper offices in whose publications it was to appear and was easily and accurately set up from the photographic copy, with its full instructions as to set-up.



Lower half of advertisement as sent by telephotography by the San Francisco office of Doremus & Company to New York, Chicago and Boston.

The new home of the Bank of America, Wall, William and Pine streets. Main entrance 44 Wall street.

BANK OF AMERICA IN NEW YORK

RECEPTIONS to the officers of correspondent banks, friends of the bank and the general public marked the opening recently of the new twenty-three story building of the Bank of America, one of New York City's oldest banks. The new building occupies the corner of Wall and William streets, New York, the same site on which the institution has been located since its founding in 1812. All departments of the bank were open for inspection at the formal opening of the bank's new home.

The new building, which was begun in the spring of 1924, enjoys the unique distinction of being the fourth home which the Bank of America has had on this same Wall and William site since the bank was granted its charter in 1812. The structure is built in American colonial style, a type of architecture chosen because of its appropriate historical character and because of its excellent adaptation to new zoning law requirements.

An appearance of unusual attractiveness and dignity has been obtained in the main banking room through close adherence to colonial architectural detail. A double row of Doric columns runs the length of this room, which is two stories in height, covering the entire lot 55 x 162 feet and containing a gallery, bank screen and space for officers.

A simple and harmonious effect has been achieved by the use of gray marble for columns, walls and bank screens, with a paneled ceiling decorated in blue and gold. No other decoration features the main banking room other than portraits of past presidents which are hung on the gallery wall.

The colonial style has been carried out in detail in the president's office, directors' and conference rooms, and museum on the third floor. Here, dark walnut furniture of colonial design, low ceilings and walls finished in old American and colonial design combine to give an effect of great simplicity and warmth.

Placed on exhibition in the museum are several historical treasures connected with the earliest history of the bank. There is a note of J. Fenimore Cooper, who owned twenty-five shares of the bank stock; the petition for charter presented at Albany in 1812; a strong box for specie, said to have been captured by the British forces in the war of 1812; the first ledger used in the bank, a Bible, tablecloth, directors' table and ballot box, all used at board meetings more than a hundred years ago.

The Bank of America occupies four floors in the new building in addition to the main banking floor and five subbasements extending to a depth of sixty feet. The remaining floors are leased for office space.

Several consolidations have entered into the history of the Bank of America in recent years. In 1920 there was a merger with the Franklin Trust Company at which time Edward C. Delafield became president, succeeding William H. Perkins, who had occupied this office for thirty years.

A second merger with the Atlantic National Bank, controlled by the Kountze interests, occurred the following year, and in 1923 the Battery Park National Bank was merged.

According to its last statement the Bank of America now has deposits of $144,601,152 and total resources of $169,917,654. It has four offices in New York and four in Brooklyn. The four offices of its safe deposit division are also equally divided between the two boroughs.

Ermine Coat with White Fox Collar

THE HAMILTON NATIONAL BANK OF NEW YORK

THE rapid growth of the Hamilton National Bank of New York can be largely attributed to two factors—a policy of neighborhood banking and the man who formed that policy, Archibald C. Emery, president of the bank.

Opening for business on January 15, 1923, with a capital and surplus of $1,000,000, the bank has increased its capital to $1,500,000 and its surplus and undivided profits to $572,276.90. At the present date resources total nearly $16,000,000. This can be considered a remarkable achievement for such a short space of time.

In addition to its financial growth the bank has grown physically. The main office, which now occupies the entire ground and mezzanine floors of the Bush Building at 130 West Forty-second street, was recently enlarged to extend through to Forty-first street. As a result of this enlargement the bank now has entrances on two streets.

MANY BRANCHES

In accordance with its policy of neighborhood banking, mentioned above, the bank has opened three branches in various sections of New York. By having an office in each of the main districts of the city, the bank is able to serve depositors over a wide area with greater convenience. Also the friendliness and intimacy of contact that one associates with near neighbors is assured. Thus the officers are enabled to keep in close touch with the affairs of individual depositors, take a personal interest in them, give advice, if necessary, and serve personally in particular matters—something that is practically impossible in very large, highly centralized institutions.

That this policy is appreciated by those whom it benefits is evident from the success that has attended the branches already established.

In less than two years from its opening date the Queens Village office at Two Hundred Seventeenth street and Jamaica avenue is serving well over 9000 residents of Long Island. Early last May the bank completed its own building, designed by the well known New York bank architect, Alfred C. Bossom. The building was necessitated by a large increase in the number of depositors. This structure has been called "one of the handsomest individual bank buildings on Long Island."

A modern safe deposit system has been installed, embodying the latest protective devices. The walls are of massive concrete construction with steel reinforcements. The burglar alarm system, consisting of a series of lead covered wires around all four walls, floor and ceiling, was set in when the concrete was poured. In addition, the vault has three steel lockups and a light book vault door. Coupon booths are located in the vault.

This Long Island success has been paralleled by that of the other offices The Bronx office at 96-98 East One Hundred Seventieth street, opened a week previous to the branch in Queens Village, has won a firm place in Bronx banking.

The Washington Heights branch, at One Hundred Eighty-first street and Wadsworth Avenue, which opened its doors only six months ago, has gained an astounding popularity in that short time. Plans are now under way for the enlargement of this office.

Another branch is to be located at One Hundred Tenth street and Broadway and will serve the Columbia University student body and faculty as well as the merchants and residents of the district.

CONVENIENT BANKING HOURS

The main office is open from 9 A.M.

to 10:30 P. M. This unusually long banking day has met with great approval on the part of the bank's patrons, many of whom find ordinary banking hours inconvenient. This applies particularly to office-workers, whose business hours are largely the same as those of the average bank. Merchants also find that this extension of service often prevents a day's delay in transacting important business. As the main office is located in the heart of the theatrical district people also are enabled to transact bank business just before going to the theater.

On week days all the branches stay open until 8 in the evening. This closing hour is extended on Saturdays. The Washington Heights office in particular remains open until 10.

By considering the needs of the depositors, and meeting them fully, the bank has made many friends. True, this policy means a little more work for the bank, but results have shown that it pays.

Consideration is shown in other ways than in a mere lengthening of the banking day. For example, all offices are fully staffed so depositors need not wait to be served, even at the busiest times of the day.

The locations of the offices are also convenient. In the case of the branches, all are situated on the chief streets of the districts they serve. The main office, of course, is on one of the busiest streets of New York. Each office is easily reached by the principal transportation systems of the city.

OFFICES WELL DESIGNED

The decorative scheme of the main office is considered unique among bank interiors. Designed in the Gothic style, its color note is a golden bronze. Warmth and beauty are expressed yet none of the dignity that one associates with a bank is lost.

The approach to the safe deposit vault is also handsome. Commodious private rooms are provided for the use of box renters, and these, too, are designed and furnished in keeping with the rest of the bank.

Comfort is the keynote of the other offices as well. The interiors are designed with a simplicity that is appealing and yet makes for the utmost convenience.

OFFICERS AND DIRECTORS

Officers of the bank are: Archibald C. Emery, president; C. W. Korell, vice-president and cashier; Charles L. Doty, vice-president; Frederick L. Rossmann, vice-president; W. D. Pike, assistant cashier; O. J. Goerke, assistant cashier; H. J. Fuchs, assistant trust officer.

The board of directors is composed of the following:

Cecil S. Ashdown, vice-president Remington Typewriter Co.; W. A. Badger, president William A. Badger & Co., Inc.; Irving T. Bush, president Bush Terminal Co.; Henry J. Davenport, president Home Title Insurance Co.; Archibald C. Emery, president; Arthur F. Hebard, industrial engineering; Leonard A. Hockstader, L. F. Rothschild & Co.; C. W. Korell, vice-president; Robert M. McBride, president Robert M. McBride & Co.; Homer W. Orvis, Orvis Brothers & Co.; Arthur M. Reis, president Robert Reis & Co.; R. G. Simonds, vice-president Bush Terminal Co.; Edward G. Sperry, The Sperry Gyroscope Co.; Hugh White, president Geo. A. Fuller Company; Bronson Winthrop, Winthrop & Stimson.

WHAT BANKS AND BANKERS ARE DOING

CHARLES C. MARSHALL has been elected president of the Peoples Savings Bank, Providence, R. I., to succeed Webster Knight, who has been made chairman of the board of directors. Mr. Marshall served in the World War and on the Mexican border in 1916. He has had extensive financial experience and is a director of the Mechanics National Bank, the Morris Plan Co., the Hope Webbing Co., and chairman of the finance committee of the Boy Scouts of Rhode Island.

MISS ELEANOR GOSS, nationally known tennis player, has joined the women's department of the United States Mortgage & Trust Company of New York City. Miss Goss was graduated from Vassar in 1916 and had since that time until October, 1926, been secretary to Mrs. Whitelaw Reid.

Miss Goss has been active in tournament tennis since leaving school. She was ranked number four among women tennis players in 1918 and since then has held second, third, fourth and fifth positions. She has been a member of the Wightman Cup team since its organization and in 1926 she and Miss Elizabeth Ryan won the doubles championship for women.

Miss Goss will make her headquarters at the Madison avenue and Seventy-fourth street office of the bank, dividing the rest of her time between the Broadway-Seventy-third street and the Grand Central Palace offices.

THOMAS ROBINSON, vice-president of the American Exchange Bank of New York for the last seven years, has been appointed vice-president in charge of the commercial banking and foreign departments of the Fifth Avenue office of the Guaranty Trust Company of New York, according to announcement made by William C. Potter, president of the Guaranty company.

Mr. Robinson is a graduate of the University of Michigan and of the Michigan law school and practiced law in Youngstown, Ohio, for several years before he entered the banking field. He was vice-president and trust officer of the Dollar Savings and Trust Company in Youngstown for a number of years

MISS ELEANOR GOSS

Member of the women's department United States Mortgage & Trust Company, New York.

and later became president of the Republic Rubber Company. He remained in this position for seven years.

At the outbreak of the war Mr. Robinson went abroad as deputy commissioner of the Red Cross in Italy. He later was a major in the United States army and at the close of the war entered the service of the American Exchange National Bank.

G. V. KENTON, former editor of the St. Louis News Service and publicity director of the St. Louis Chamber of Commerce, has become advertising manager of the National Bank of Commerce in St. Louis, according to recent announcement made by the bank.

Prior to taking over his new position Mr. Kenton served for two years as editor of the St. Louis News Service, an organization operated by the municipal advertising committee as an adjunct to its municipal advertising campaign. Before that Mr. Kenton was city editor of the *St. Louis Star*. He began work with that newspaper after his graduation from the University of Missouri in 1910 and worked his way up from cub reporter to city editor.

ADOLPH PFISTER has been elected president and Joseph Ffeiler first vice-president and cashier of the Bank of Sheboygan, Sheboygan, Wis., according to announcement made by the directors of the institution.

ROLLIN C. BORTLE has been elected vice-president of the Chatham Phenix National Bank and Trust Company, New York City, and began his new duties November 1. He was formerly a partner in the firm of Eastman, Dillon & Company.

For more than ten years Mr. Bortle has been a prominent figure in Wall Street bond circles. He entered this field as a representative of N. W. Halsey & Co., and when the firm was absorbed in 1916 by the National City Company, Mr. Bortle became associated with the resulting institution. He has been president and a member of the board of directors of the Bond Club of New York.

FRANK PARTRIDGE, of the Citizens Trust and Savings Bank, Los Angeles, has no use for memory experts. He has been called Mr. Pheasant, Mr. Quail, Mr. Duck, Mr. Swan and Mr. Pelican. The last straw came recently when a man telephoned him and said, "Good morning, Mr. Ostrich."

FRANKLIN D'OLIER, vice-president of the Prudential Insurance Company of America, has been elected a director of the Seaboard National Bank, New York.

JOHN J. MITCHELL, president of the Illinois Merchants Trust Company, Chicago, celebrated his seventy-third birthday November 3 by a busy morning at his desk, during which he was the recipient of many telegrams and other messages of congratulation. At noon he boarded the train for a three-day business trip to New York.

Mr. Mitchell says that he enjoys his work and wishes that he might live twenty years longer to take advantage of the opportunities the future is sure to bring.

ROSCOE J. TODD, formerly head bank examiner for several northern Illinois counties, has been appointed as traveling representative of the business promotion department of the State Bank of Chicago. The department is headed by Gaylord S. Morse, assistant cashier. Mr. Todd was for a number of years connected with the auditor of public accounts, Springfield, Ill.

ORIE R. KELLY, vice-president and secretary of the American Trust Company of New York City, has been made president of the County Trust Company of White Plains, N. Y., an affiliated institution. Mr. Kelly has been an officer of the American Trust Company since it was organized in 1919. Prior to that time he was assistant secretary of the Empire Trust Company, New York.

ROBERT MORRIS ASSOCIATES MEET IN NEW ORLEANS

DISCUSSION of the cotton situation from the financial viewpoint took up most of the three-day session of the Robert Morris Associates, who held their mid-year meeting in New Orleans October 28 to 30 inclusive.

Former Governor John M. Parker, founder of the John M. Parker Company, a prominent southern cotton firm, made a plea for closer co-operation of the banks and the farmers, urging that the banks become the "financial doctors" to the cotton growers of the South and aid them in diversifying their crops and otherwise solving their problems.

Alston H. Garside, director of cotton service of the Boston Merchants' National Bank, took up the question from the bankers' point of view and showed how consumption increase had not kept up with increase in production.

"Economic Conditions in the South and Future Prospects" was the subject of an address by Dr. J. Anderson Fitzgerald, dean of the college of commerce of the University of Texas, in which he urged an advertising campaign to increase the consumption of cotton and thus relieve the situation.

Oscar Johnston, Mississippi planter, banker and attorney, struck a more optimistic note, assuring the 175 delegates present that they might return home with the conviction that the South would pass through the present situation with little difficulty. He also urged the South to "get away from this hysteria" and declared that he did not "take much stock in the present agitation for relief of the cotton grower." Economic factors will force reduction of cotton production next year unless prices rise, he said.

Oil was discussed in two talks, one by Nathan Adams, president American Exchange National Bank of Dallas, Tex., on "What Constitutes the Basis of an Oil Credit" and a second by A. D. Geoghegan, president Wesson Oil and Snowdrift Company and Southern Cotton Oil Company, in which he discussed the various uses to which cotton seed is put. J. F. Craddock, vice-president the Continental and Commercial National Bank of Chicago, president of the organization, gave an address on the present financial situation in general.

Social events included a luncheon, the annual dinner of the organization and a golf tournament.

Wives of the delegates and other women attending the convention were entertained at a luncheon and bridge party at the New Orleans Country Club, were guests of the New Orleans chapter of Robert Morris Associates at a theater party and at a luncheon at the Patio Royale in the French quarter.

All the visitors were guests on a boat trip on the Mississippi on the last day of the convention.

ANNIVERSARY OF A BANK'S HOUSE ORGAN

THE "Hibernia Rabbit," published by the Hibernia Club of the Hibernia Bank & Trust Company, New Orleans, has just finished its twenty-first year of continuous publication. An editorial in the October issue reviews its history as follows:

Unlike its cotton-tail namesake, whose brief stay in the land of the living is only five years, the "Hibernia Rabbit" has enjoyed a life of twenty-one years. We are now grown up and with this issue have attained our majority.

It was in October, 1905, that Volume 1 No. 1 of the "Rabbit," a six-page mimeographed paper, edited by Albert C. Kammer and managed by Paul Villere, made its appearance among the employes in the bank. Only 100 copies were distributed at a cost of 5 cents each. The front page appropriately outlined its purposes which were:

"To promote good fellowship among the employes of the Hibernia Bank & Trust Company.

"To set forth matters and happenings of interest to all and to chronicle things that have been done, things that are doing, and things that will be done.

"To foster a spirit among us that will be for the betterment of all concerned, etc., *ad libitum*."

Many times are the present day editors asked how this publication happened to be named "Rabbit." It does sound strange in today's world of journalism as the name of a bank magazine, but those who were in the Hibernia at the time of its birth can readily account for it. It seems that during 1905 the pet nickname and by-word of the bank was "rabbit." Along the bookkeepers' line could be heard, "Balance yet, 'Rabbit'?" "How about the clearings, 'Rabbit'?" and so on from the tellers down to the office boys, everybody was familiarly called "Rabbit." The expression, we are told by Mr. Villere, was used more in a complimentary sense than as slang. It was applied principally to anyone who was considered quick, alert, bright, alive or smart. Naturally, when the first editor sought a name for his paper the current and popular by-word was mustered into service. It was well named and has lasted these twenty-one years, but the present editor shudders to think what it might have been called had the name been chosen from the current slang of today.

Most interesting among the letters of comment which followed the first edition is one saying in part: "Allow me to extend my congratulations upon the birth of your paper" which was signed by none other than our own vice-president, Fred W. Ellsworth, who was at that time editor of the First National Bank of Chicago "Review." From a six sheet paper with only a 100-copy circulation among the employes, the "Rabbit" has grown to a forty and sometimes forty-eight page organ, reaching 4000 people every issue. Articles from the pen of many prominent men of the business world have graced its pages.

KANSAS CITY BANK TO HAVE NEW BUILDING

THE new home of the City Bank of Kansas City, now under construction at the southeast corner of Eighteenth street and Grand avenue, Kansas City, Mo., will be, when completed, it is said, one of the most modernly equipped bank and office buildings that it is possible to construct. The estimated cost of the building is $750,000.

The building will be seven stories high but designed to carry six additional stories. The entire main floor, mezzanine and basement will be occupied by the bank, with the clerical and stenographic assistants on the mezzanine; the safety deposit box department, with provisions for ample coupon booths, consultation rooms and the directors' room in the basement; and the general banking business of the institution with officers' quarters, on the main floor.

The building will have nine different vaults and the O. B. McClintock alarm system, as well as Steelcrete walls—the first of this material in Kansas City.

The main construction is of concrete frame and brick, with terrazzo floors throughout, thus making the building absolutely fire-proof. Five kinds of marble are used in the bank's decoration.

Holden, Ferris and Barnes are the architects for the new building.

ECUADOR BANK PUBLISHES BOOKLET

"FACTS about Ecuador" is the subject of an interesting booklet published, for free distribution, by the Banco de Descuento, Guayaquil, Ecuador, in honor of the arrival in that country of the Kemmerer Economic Mission. The booklet contains in brief form, general information about the country which it was thought might aid the mission in its purpose of forming a plan of reorganization of the country's financial system.

The booklet tells of the fertility of the soil, its mineral wealth, the principal cities and seaports and the commerce of Ecuador. The city of Guayaquil—its inhabitants, business and development—are discussed in detail. The financial and banking systems of the country are considered, a journey from Quayaquil to Quito, the capital, and other interesting points of the country are also taken up. The booklet concludes with a summary, in outline form, of the items which deserve special mention—sources of wealth, monetary reform, banking laws,

New home of the City Bank of Kansas City, Kansas City, Mo., which, when completed, will be one of the most modernly equipped bank and office buildings in the Middle West.

government finances, fiscal monopolies, public works, international trade, transportation, external loan and internal credit.

The pamphlet is printed in both English and Spanish.

CORRECTING AN ERROR

IN the November number of THE BANKERS MAGAZINE on page 793 there appeared a view of a vault installation described in the caption as being installed for the Putnam Trust Company, Greenwich, Conn., by the Herring-Hall-Marvin Safe Company. Through a printer's error the illustration used was that of a vault manufactured by the York Safe & Lock Company, which originally appeared on page 971 of the June, 1926, number. The correct cut and caption appear elsewhere in this number.

ILLINOIS UNIVERSITY GIVES BANKERS SHORT COURSE

THE annual short course given by the College of Agriculture of the University of Illinois for bankers, and known as "The Bankers Agricultural Short Course", was held November 10 and 11 at Urbana. The program included a lecture by Dean Mumford of the University on "What the College of Agriculture is Doing for Farming in Illinois;" analyzing of the farmers' financial condition; discussion of the increasing of the farm income through soil and crop improvement, and of the necessary investments and risks in livestock farming; how to increase milk checks; the effect of animal diseases on livestock income; the value of home improvements; financial outlay of fruit and vegetable growing; and a tour of the University farm, with inspection of herds, flocks, orchards and experimental fields.

The course is sponsored by the Illinois Bankers Association.

NEW YORK LEADS IN TRUST COMPANY RESOURCES

NEW York leads all the states in trust company resources, with total resources of $5,204,189,000 and a gain of $260,-

Guayaquil, the chief port of Ecuador, South America, contains many beautiful avenues, splendid public and private buildings, well paved streets, picturesque plazas and parks, and magnificent monuments.

000,000 for 1926, according to "Trust Companies of the United States," a book issued recently by the United States Mortgage & Trust Company of New York. The trust companies of New York have more than 25 per cent. of the trust resources of the entire country.

The total for the United States as of June 30, was $19,335,270,000, a gain of $1,190,000,000 and two and one-half times the aggregate of ten years ago. Deposits were approximately sixteen billions, a gain of nine hundred millions.

In analyzing the figures just made public, John W. Platten, president of the United States Mortgage & Trust Company says:

"The present strong position of the trust companies, attained through a steady, continued progress, reflects a healthy condition in the trust company field. Further development along the lines now so clearly marked cannot fail to result in a much wider acceptance of the trust principle, with a corresponding increase in the volume of business entrusted to fiduciary institutions."

CHRISTMAS CLUB DISTRIBUTION

Members of Christmas Clubs, 7,800,000 in number, will receive $398,268,000 within the next few weeks. an increase over last year's Christmas Club saving of $85,000,000 or 27 per cent. The average distribution per member amounts to $51.32, while that last year was $44.88.

It is estimated by H. F. Rawll, president of the Christmas Club, that something like $179,421,380 will be placed immediately in the stores for buying; $110,146,000 will be deposited in permanent thrift and savings accounts; $47,186,382 will go for insurance premiums and mortgage interests; $42,761,190 will go for taxes and $18,752,648 will go to fixed charges maturing in the holiday season.

Massachusetts leads the states in per capita saving, with New York and Pennsylvania next. The largest club is that of the Bank of the Manhattan Company, with 65,000 members in its thirty-six branches in New York City and Brooklyn.

FIRST TRUST OCCUPIES NEW QUARTERS

The trust department of the First Trust and Savings Bank, Chicago, has moved into new and permanent quarters occupying 32,000 square feet of space on the fourth floor of the First National Bank Building at Dearborn, Monroe and Clark streets. The offices, which have forced ventilation and indirect lighting, are finished in white marble, bronze and mahogany and are served by both private elevators and those of the building.

This is the first completed unit of an extensive program of building and alterations upon which the First National Bank of Chicago and First Trust and Savings Bank entered January 1, 1925.

The banks acquired the Fort Dearborn Bank building and the 50 foot frontage on Clark street immediately north upon which has been erected an 18-story building. The principal entrances of the building are on Dearborn and Clark streets, while the banks will have entrances from Monroe street as well.

New safe deposit vaults, with 35,000 boxes and a capacity of 50,000, have been installed in the basement. The vault is 55x120 feet with an inside height of 8½ feet, principal doors of which are thirty inches thick, weighing, with vestibules, eighty-three tons. The vaults of the banks have also been installed in the basement and the offices of both banks on the ground, banking and mezzanine floors will be unified and extended through from Dearborn to Clark street.

The project has necessitated the removal of several departments to temporary quarters, but business has been continued without interruption during the alterations, with little inconvenience. It is expected that the development, which involves an expenditure of several million dollars, will be completed about January 1, 1928.

BANK OF DONORA, PA., IN NEW HOME

A PUBLIC inspection and formal opening of the Bank of Donora, Pa., was held November 17. Customers and friends of the bank were invited to view the new building of the institution at that time. A private view, for bankers of the vicinity, was held the following day.

CHICAGO BANK OPENS NEW YORK OFFICE

THE National Bank of the Republic, Chicago, has opened an office in New York City at 1 Wall street. As a national bank, the institution is not permitted to have a branch in New York, but it has opened an office where it will have representatives and to which it hopes to attract New York business as well as to promote financial relations between the East and the Middle West.

The bank has a capital of $4,000,000 and deposits of $87,000,000.

PENNSYLVANIA BANKS MERGE

THE consolidation of the First National Bank of Monessen, and the Monessen Trust Company, both in Monessen, Pa., has been approved by the stockholders of both institutions and became effective last month. The name of the resulting institution is the First National Bank and Trust Company of Monessen.

The capital of the bank if $160,000, surplus $200,000 and reserve and undivided profits more than $40,000.

COTTON SITUATION DISCUSSED IN MISSISSIPPI

"THE Mississippi Banker," journal of the Mississippi Bankers Association, prints the following plea to bankers of the state in regard to the cotton situation in that state:

"We urge upon the bankers of the state the adoption of a definite policy toward those whom they finance, urging not only a reduction of cotton acreage, but the actual planting and growing of sufficient food and feed to provide for the necessities of those being financed and for the state of Mississippi, and that the farmers be urged to preserve and improve the soil by rotation of crops and by the planting of winter cover crops."

ACCEPTANCE CORPORATION INCREASES CAPITAL

ANNOUNCEMENT has been made by the General Motors Acceptance Corporation, which operates the service employed in credit purchases of General Motors products, that the New York state banking department has approved an increase in its capital stock of 60,000 shares. The stock will be sold to the

General Motors Corporation at $125 per share, thus providing $7,500,000 additional capital.

With this increase General Motors Acceptance Corporation will have a capital, surplus and undivided profits of $38,200,000. All of its stock is owned by the General Motors Corporation.

TRUST COMPANY CELEBRATES ANNIVERSARY

THE Fayette Title and Trust Company, Company, Uniontown, Pa., celebrated the twenty-fifth anniversary of its organization on Saturday, November 13. Open house was held from 9 A.M. to 9 P.M.

DECLARES DIVIDEND

THE board of directors of the Tradesmens National Bank, Philadelphia, has declared the regular quarterly dividend of $3.50 per share, at the rate of 14 per cent. per annum, payable November 1, to stockholders of record at the close of business October 30, 1926.

ST. LOUIS COMPANY OPENS NEW YORK OFFICE

THE St. Louis Company, a correspondent of the National Bank of Commerce in St. Louis and the Federal Commerce Trust Company of St. Louis, has announced its opening at 14 Wall street, New York City. J. W. Walker, formerly associated with the National Bank of Commerce in St. Louis, is in charge.

THIRTY-STORY NEW HOME FOR BANK

ALBERT H. Wiggin, chairman of the board of directors, Chase National Bank, New York, has confirmed the report that the bank would build a thirty-story office building at 20 Nassau street, the site of the present Mechanics and Metals branch. Business of that branch will be transacted at 46 Cedar street, where banking quarters have been rented during the time of construction of the new building. The work of razing the present building is expected to get under way around the first of the new year, and it is planned that the new building will be completed for occupancy by May, 1928.

This will be the sixth home of the

Chase National Bank. Business was first carried on at 117 Broadway, where the bank opened in September, 1877, and later at 104 Broadway, where it moved January, 1878. The third home was 15 Nassau street, where the bank moved in May, 1887. In this same building was located the New York Clearing House. The business of the bank grew so rapidly that it was necessary to rent additional space on Pine street before the next move, in December, 1895, to the new Clearing House Building, at 83 Cedar street. Twenty years found these quarters outgrown and the bank renting additional space on Liberty street before the fifth move was made, in January, 1915, to greatly enlarged quarters at its present location, 57 Broadway. Once again the bank has outgrown its quarters, and the new building is being planned to solve the problem of space for many years to come.

TRUST COMPANIES TO HOLD ANNUAL BANQUET

TRUST companies of the United States will hold their sixteenth annual banquet at the Waldorf Astoria Hotel, New York City, February 17, under the auspices of the Trust Company Division of the American Bankers Association.

The banquet committee consists of the following: Edward J. Fox, president Easton Trust Company, Easton, Pa., chairman; J. N. Babcock, vice-president Equitable Trust Company, New York; F. W. Blair, president Union Trust Company, Detroit; Uzal H. McCarter, president Fidelity Union Trust Company, Newark; Edwin P. Maynard, president Brooklyn Trust Company, Brooklyn; A. V. Morton, vice-president The Pennsylvania Company for Insurances on Lives and Granting Annuities, Philadelphia; James H. Perkins, president Farmers Loan & Trust Company, New York; John W. Platten, president United States Mortgage & Trust Company, New York; Francis H. Sisson, vice-president Guaranty Trust Company, New York; Theodore G. Smith, vice-president Central Union Trust Company, New York; A. A. Tilney, president Bankers Trust Company, New York; Leroy A. Mershon, 110 East Forty-second street, New York, secretary.

BANKS PAY BONUS

CALIFORNIA Bank, Los Angeles, and the National City Bank of Los Angeles, Calif., have voted to pay Christmas bonuses to the 1000 employes of the joint institutions. The bonuses will also affect employes of the California Trust Company and California Securities Company, subsidiaries of the California Bank.

It is a long established custom of the Chaffey banks to share with their employes the profits of their institutions and, in accordance with this custom, all employes will receive a Christmas bonus equal to one-half their December salaries.

Speaking of the bonus, A. M. Chaffey, president, said:

"The growth of California Bank and its affiliation, the National City Bank of Los Angeles, has been very consistent. Much of the real credit for the success of our institutions is due to the zeal, courtesy and the all around efficiency of our employes of which we feel justly proud. Our entire organization again pledges itself toward greater efforts in service to our clients."

DATA ON INTEREST RATES

A FOLDER entitled "Interest Rates on Certificates of Deposit," compiled from data supplied by Wisconsin banks, has been published by the Wisconsin Bankers' Association.

NEW TRAVEL DEPARTMENT

THE Central Trust Company of Illinois, Chicago, has announced the establishment of a travel bureau in connection with its foreign department. E. G. Jackson, who has had thirty-five years of experience in travel and transportation work and who has represented American travel organizations all over Europe, will supervise the operation of the bureau.

BANK OF UNITED STATES HAS UNUSUAL GROWTH

AN increase in resources from $85,000,000 to $92,000,000 since the last state bank call is the record shown by the Bank of United States, New York, in its statement of condition as of November 24, in which total assets are reported as $537,799.96.

The bank's capital amounts to $5,000,000, surplus and undivided profits to $4,563,372.26, and deposits to $80,722,247.48.

ALABAMA BANK AIDS COTTON GROWERS

IN order, as it says, "to enable our farmer customers to market their cotton in the proper manner," the First National Bank of Wetumpka, Ala., has advertised that it will, until further notice, make loans on cotton secured by warehouse receipts at 4 per cent.

"In every emergency," the advertisement reads, "this bank has been willing and able to furnish adequate banking service to this community and it has at all times endeavored to provide proper credit facilities for our farmer customers at rates as low or lower as are enjoyed by those engaged in commercial or industrial enterprises."

NEW BANK CONSTRUCTION IN NEW ENGLAND

THE Brighton (Mass.) Five Cents Savings Bank has purchased the branch bank building of the First National Bank of Boston in Brighton and the First National will fit up new and enlarged banking rooms in Brighton Square and also enlarge the branch banking rooms in Allston, from plans by Thomas M.

James Co., Boston and New York bank architects. The James Co. is also planning a new branch bank building at Fields Corner, Boston, to be built of brick and limestone, and banking rooms for the Washington street branch at Hayward Place, for the First National Bank. Plans are now completed for the new building of the Strafford Savings Bank at Dover, N. H., and for the fine new building for the Woonsocket Institution for Savings at Woonsocket, Rhode Island.

COMING BANKERS' CONVENTIONS

ALABAMA BANKERS ASSOCIATION, Birmingham, May. Secretary, H. T. Bartlett, American Trust & Savings Bank, Birmingham.

CANADIAN BANKERS ASSOCIATION, Montreal, November 11. Secretary, Henry T. Ross, Dominion Express Building, Montreal, Quebec.

DELAWARE BANKERS ASSOCIATION, Wilmington, March 3. Headquarters, Hotel dePont. Secretary, W. K. Ayres, assistant treasurer Wilmington Trust Company, Wilmington.

IDAHO BANKERS ASSOCIATION, Hayden Lake, June. Headquarters Bozanta Tavern. Secretary, J. S. St. Clair, vice-president Boise City National Bank, Boise.

ILLINOIS BANKERS ASSOCIATION, Danville, June 23-24. Secretary, M. A. Graettinger, 208 South LaSalle street, Chicago.

KANSAS BANKERS' ASSOCIATION, Manhattan, May 18-20. Headquarters, Kansas State Agricultural College. Secretary, W. W. Bowman, Hotel Kansan, Topeka.

NEW MEXICO BANKERS ASSOCIATION, Deming, October. Secretary, M. F. Barnes, First National Bank Building, Albuquerque.

NORTH CAROLINA BANKERS ASSOCIATION, Pinehurst, April 21-23. Headquarters, Carolina Hotel. Secretary, Paul P. Brown, Raleigh.

NORTH DAKOTA BANKERS ASSOCIATION, Jamestown, June. Headquarters, Gladstone Hotel. Secretary, W. C. McFadden, 54 Broadway, Fargo.

OKLAHOMA BANKERS ASSOCIATION, Oklahoma City, May 10-11. Headquarters, Huckins Hotel. Secretary, Eugene P. Gum, 907-8 Colcord Building, Oklahoma City.

PORTO RICO BANKERS ASSOCIATION, Coamo Springs, Coamo, P. R., December 12. Secretary, Eugenio D. Delgado, assistant managing director Banco Territorial y Agricola, San Juan.

SOUTH DAKOTA BANKERS ASSOCIATION, Deadwood, July 1-2. Headquarters, Franklin Hotel, Secretary, Geo. A. Starring, Huron.

TEXAS BANKERS ASSOCIATION, El Paso, May 10-12. Secretary, W. A. Philpott, Jr., Dallas.

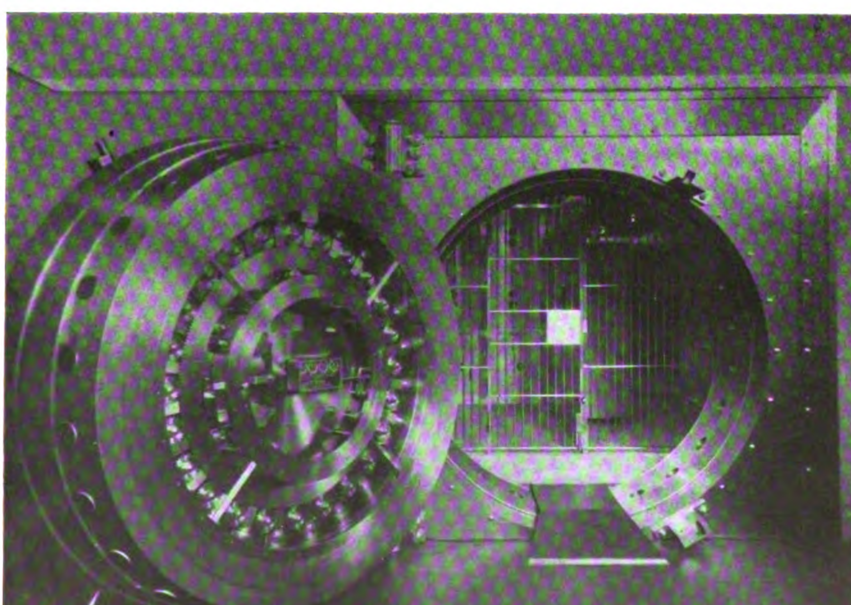
Cleveland Trust Company, Cleveland, Ohio, uses unusual display to protect its claim to valuable property.

EXAMPLES OF RECENT BANK BUILDING OPERATIONS

A recently completed bank building for the Monongahela National Bank, Brownsville, Pa., with one story of offices above. The exterior is built of Concord granite. It was designed by and erected under the supervision of Morgan, French & Co., architects and engineers, New York City.

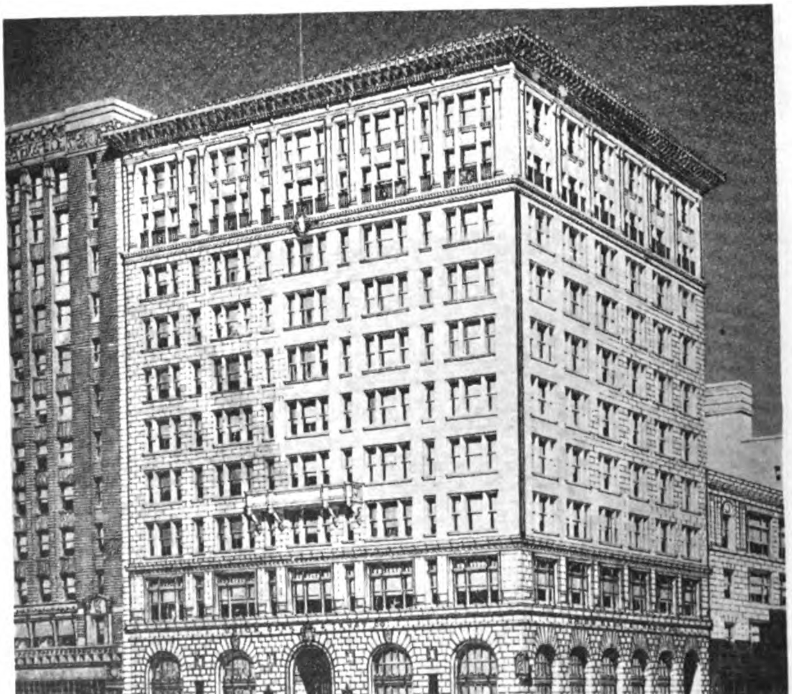
Two views of the remodeled quarters of Morgan Grenfell & Co., London. Above: Main entrance. Below: Partners' room.

Interior view of the recently opened new building of the Dayton Savings & Trust Company, Dayton, Ohio.



Twenty-six ton door to the safe deposit vault of the Putnam Trust Company, Greenwich, Conn., manufactured and installed by the Herring-Hall-Marvin Safe Co., Hamilton, Ohio, and New York.

New building now being erected for the Randolph Savings Bank, Randolph, Mass. It is a unique building of Colonial design to match other buildings in the vicinity. John Edmund Kelley of Randolph is the architect.



Sketch of the proposed addition to the present building of the Union Bank & Trust Company, Los Angeles, Calif. Fifty feet of ground for this addition has just been purchased.

CLEVELAND BANK HAS UNUSUAL DISPLAY

An unusual display was used recently by the Cleveland Trust Company, Cleveland, Ohio, to protect several hundred thousand dollars worth of space in front of its main office, which has been used by the public, but which really belongs to the bank.

The display featured a boat, of the type used in the Metropolitan Yachting Association regatta at Cleveland in September. The boat projected to a pin in the sidewalk which marks the company's actual property line at a point about ten feet beyond a brass railing in front of the bank. The use of this space cut the sidewalk width in half at this point.

The public will not be denied the use of this space; the bank is merely protecting itself against a claim that the property might become a part of the public highway by reason of long and continued use. It has been almost twenty years since the erection of the bank building as it now stands.

UTICA BANK MERGER

The merger of the First National Bank and Trust Company of Utica, Utica, N. Y., and the Oneida County Trust Company, of the same city, into the First Bank & Trust Co., took place recently, according to announcements sent out by the new institution.

The new bank will soon occupy a new bank building at Genesee and Elizabeth streets and the former home of the Oneida County Trust Company will be operated as a branch. The new bank's resources are in excess of $24,000,000.

Charles B. Rogers is president of the bank.

SPEECH REPRINTED

Hare & Chase, Inc., Philadelphia, has reprinted in pamphlet form a speech given by Emlen S. Hare, vice-president of the institution, on "Is Financing to Become an Asset or a Liability to the Automobile Dealer?" The address was delivered originally at the annual convention of the Pennsylvania Automotive Association.

A Thanksgiving window display at the main office of the Hamilton National Bank of New York. Having a color motif of orange and brown the display comprised two sheaves of full tasseled corn stalks, various sized pumpkins and a rustic chopping block in which was thrust a large woodman's axe, while autumn leaves were strewn in profusion all about.

BOOK REVIEWS AND NEW BOOKS

PSYCHOLOGY IN PERSONAL SELLING. By A. J. Snow, Chicago and New York: A. W. Shaw Company. $6.

SINCE all of us are customers, without which there could be no selling, and since most of us, at one time or another, become salesmen—whether of bonds, golf balls or charity bazaar tickets—the "Psychology in Personal Selling" is a volume of general interest and merits a wider reading than that of the professional salesmen for whom it was written.

In it all the approved methods of bagging the unsuspecting customer are brought to light and the reasons for their success explained from a psychological viewpoint. Some of these methods, such as that of the affirmatively worded question, are well known to the layman; others present different and entirely new means of approach. Whatever the route, however, the goal remains the same—a satisfied customer.

Mr. Snow has divided his book into four parts, corresponding to the main elements in the sales situation: the customer, the salesman, the sale, and the selection and training of the salesman. These he likens to the elements in a novel, the sales situation being the story itself, the salesman and the customer, the protagonist and the antagonist, the store the background or setting, and the sale the plot of the piece.

Every person who has quailed inwardly at a haughty salesman should read the part devoted to the customer. Here he sees himself as the personage for whom the selling institution has been erected and by whom it is maintained. He is considered, first as a type, and then as an individual. His likes and dislikes, his peculiarities, the reasons for them and the possibilities of his changing them are analyzed in detail. One chapter is given over entirely to the retail customer, and a second is devoted to the wholesale buyer. The differences between them, as customers, are noted and suggestions are given for the best methods of approach to each.

Personality, character and physique in their relation to selling are considered in the second part of the volume, that devoted to the salesman. The fact that little of actual experimental value has been done in this field is emphasized by the writer, though he points out the traits that seem to have made for sales success in general. The fact that selling personality may be improved agrees with his theory that most salesmen are not born, but made.

The sale itself is doubtless the most interesting part of the book to both salesman and customer. Here the customer learns what is thought of him, his wishes, desires and temperament, by the salesperson, and here the salesman sees himself as others see him, by means of experiences related for illustration. The part that reason plays in the sale is described and the use of the power of suggestion given.

The writer indorses the psychological test for selection of salesmen in preference to the usual methods of application blank, photograph and interview. He also takes up the problem of training and holding the salesmen after securing them. Scattered throughout the book are a number of charts showing the results of psychological tests. Although the reading matter itself is simple enough to the lay reader, the charts may better be left to the consideration of the trained psychologist.

FUNDAMENTALS OF BUSINESS ORGANIZATION. By Walter Robinson, New York: McGraw-Hill Co., Inc. $2.50.

IN this era of analysis and investigation it has been impossible for scientists longer to ignore anything which bulks so large in world affairs as business does today. As a result, schools of commerce have been set up and are growing so rapidly that doubtless within a decade examinations and certificates will be required before one can engage in business—and business will become a profession.

For use in these schools of commerce text books are needed and this has caused a vast number of books to be published on the science of business. Each professor of each institution has added his contribution—good, bad or indifferent—to the mass of literature on the subject of business, most of which has not been written for, and never will be read by, business men.

Mr. Robinson, who writes from a double point of view—that of lecturer in business administration at the University of California and that of organization analyst—differs somewhat in the presentation of his material from most of the writers. His book is as well organized as he thinks a business should be.

The purpose of the volume, according to the writer, is to show that regardless of the size or character of a business there are certain basic factors and relationships which are essential to its effective organization. With this aim in view the author divides the organization of business into eight fundamentals, devoting a chapter to the explanation of each of them.

Definite and stable policies, including a goal or ideal, principles on which the business is to be run and internal policies of finance and expansion, are the first fundamental of the organization of every business, according to Mr. Robinson. Functionalization, the proper division of business into its various departments, each with recognition and adequate supervision, the writer names as the second fundamental. Diagrams of several different kinds of business, showing the functional organization of each, aid in the explanation given in this chapter.

"The Right Man in the Right Place" is perhaps the most fully discussed of the eight fundamentals and includes a number of points which might well be brought to the notice of many business heads. Only since the war, according to the author, has any emphasis at all been placed on personnel and even now many businesses which are handicapped by having square pegs in round holes might be brought to a higher level of efficiency with a little more attention to this phase. Mr. Robinson heartily indorses promotion from the ranks of the business, rather than the bringing in of outside executives.

Direction, supervision, control and delegation of authority are discussed as the next four fundamentals of business organization. Following these the writer turns to that oft discussed subject of incentive. There are three kinds of incentives, he says, non-material, semi-material and material—and the greatest of these is material. Love of work, loyalty to the firm, pleasant working conditions and the other incentives offered by many firms to their employes are not without effect, but they make no such appeal to the average employe as does his pay. On this depends, not only his support and that of his dependents, but also his classification among his friends and companions as successful or unsuccessful.

NOTES ON NEW PUBLICATIONS

"THE Port of Buffalo" is the title of a booklet published by the Manufacturers and Traders Trust Company, Buffalo, N. Y., dealing with the harbor development, milling, canal and lake transportation of that city. The material is taken from "Buffalo's Textbook," authorized by the city council of Buffalo and adopted for use in the schools of the city. It is illustrated with several maps and charts.

AN explanation of the operation of the Stock Exchange and its place in American business is contained in a new book, "The Work of the Stock Exchange," written by J. Edward Meeker, economist to New York Stock Exchange, and published by the Ronald Press, New York.

NEW BOOKS

THE COMMERCE OF AGRICULTURE; A SURVEY OF AGRICULTURAL RESOURCES. By Frederick A. Buechel. N. Y.: Wiley. $3.75.

THE MEMOIRS OF RAYMOND POINCARE. By Raymond Poincare. N. Y.: Doubleday. $5.