

BANKERS' CONVENTION SECTION

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INDEX TO ADVERTISEMENTS.

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CURRENCY REFORM IN THE CONVENTION.

That the question of reform in our bank note currency should have received less general discussion at the Denver bankers' convention than it received at the convention in Atlantic City a year ago, is perhaps to be accounted for, first, by the fact that the turbulent conditions of a National election, with other issues to the front, do not favor proper discussion of a subject of this sort, and second, by the existence of a currency commission appointed by Congress for the ostensible purpose

of framing and submitting a comprehensive plan of reform. The situation in both these regards was such as to make it just a little embarrassing to take up with the usual vigor and energy that particular question. In addition, it may be said that the wish of a year ago, to insure immediate action, was sharpened by the feeling among all observant bankers that the financial situation was approaching a crisis in which a proper bank currency system would be of urgent importance. That this last conclusion was well founded at the time, no one familiar with the actual course of events during the two months after the Atlantic City gathering is likely now to question.

But interest in the question of a reformed currency is far from dead among the bankers of this country, a fact of which the Denver Convention was itself a sufficient indication. They keynote of the proceedings was sounded by President Powers, whose annual address at the opening of the Convention devoted itself frankly to the question of currency reform. He plainly laid before the Convention his belief that the panic was the strongest of arguments in behalf of a scientific bank currency, and that the construction of such a system must be trusted to men familiar with practical banking rather than to mere theorists. With perhaps a side glance at the peculiar proceedings of the last session of Congress in its debates, its legislative measures, and the composition of its currency commission, he added, "they should be men who understand the necessity for and importance of ridding the government of the dangerous legal tender greenbacks by their final redemption and retirement, by a sane and safe means of gradual change from our bond-secured currency to a system which has proved sound by the experience of other countries."

More in detail, the same subject was taken up by Mr. B. E. Walker, President of the Canadian Bank of Commerce, who spoke on the question with

the authority of a practical expert familiar both with the American and Canadian systems. Mr. Walker first pointed out the difficulty which everyone recognizes to exist in dealing with the question:

"The profound line of cleavage which made it so difficult to create the first bank of the United States, and which destroyed it and its successor, still exists. It lies between those who favor a system of banking good for the nation as a whole, as opposed to a system of banking which may be right or wrong for the great number of units engaged in the business of banking, but which is clearly not right for the nation as a whole."

What, then, of the actual situation? Mr. Walker analyzed the government's statement of the amount and kinds of money circulating in this country in the middle of the year, on which he commented thus:

"From this it is apparent that in the United States there is no currency of the kind usually known as bank-note issues, the notes issued by national banks and guaranteed by the Government being a species of money based on the debt of a Government. There were bank-note issues before the war, and, as we know, they were retired for arbitrary reasons connected with the finances of the Government, and not for the purpose of improving the system of banking. We also know that while the national bank-notes which took their place possess good qualities not possessed by the old State-bank issues, they also carry with them the grave defect of rigidity which accompanies nearly all Government note issues."

The Aldrich-Vreeland bill, it is true, provides for an "emergency currency" which might be used to meet an occasion of real need. But the restrictions of this law "practically amount to an admission that the issuing of credit notes is too dangerous a franchise to be granted to a bank under ordinary circumstances," and, "the whole machinery for these emergency issues is so difficult that the act may quite fail in its purpose." Of the truth of this latter statement, we imagine bankers who have studied the provisions of this patch-work of legislation have already a pretty well defined suspicion. It only remains, then, to determine whether a bank note currency not thus restricted, and suitably adapted to the real needs of commerce, is or is not an actual necessity in the United States. There are public men who have declared it is not; on the floor of Congress, last spring, it was asserted that the present system, if extended on the basis of pledge of other than Government securities, is all that the country needs. Mr. Walker thinks otherwise; he has this to say on the matter:

"There are countries in the Old World where the fluctuations in the volume of trade and in the price of commodities and securities from one year to another, and from one part of the year to another, are not so violent as to require much elasticity in the currency. But in the United States, where the volume of trade and the price of commodities and securities vary largely from one period of contrac-

tion through a period of expansion to the next period of contraction, and from one year to another, and from one part of a year to another, and from day to day, there should be in addition to the constantly varying total of checks, drafts, and such credit instruments, with which most of our trade is done, a species of credit-note issuable by banks which can be varied in total quantity in proportion as the total quantity of trade done with such instruments of credit varies. And there is the additional reason for such a credit-note that whenever, because of panic or any form of distrust, the ordinary currency is hoarded or additional cash is being held by banks as reserves, some legal credit currency becomes more than ever necessary."

This argument seems to us irrefutable, and it is not less impressive because it comes from a practical foreigner who can judge from personal observation the working of two radically different systems in two countries as closely akin, in their industrial system, their habits of every-day business, and their geographical character, as Canada and the United States. It is, moreover, absolutely in line with the opinion of practical European experts who have studied our currency system and its workings in the light of their own experience. On the part of these people judgment is unanimous that our present bond-secured bank-note issues, rigid and inelastic as they necessarily are, have three very positive results on our finances—all of them evil. Creating as they do a wholly artificial motive and basis for increase in such currency, they expand unreasonably at ordinary times, thus offering a direct inducement to use of bank resources, at a time of inactive trade, in speculation. Prevented as this currency is by law from a quick response to slackening trade requirements, they leave the circulating medium, at a time of industrial reaction, in as great a supply as at the climax of an industrial boom, and thereby stimulate export of the gold which lies at the basis of all our currency. Finally, such is the delay in taking out new bank-note currency under the present system, and such the obstacles thrown in the way of it by requirement of government bond collateral when such bonds are hard to get, that the normal remedy of such a "currency famine" as occurred in last October's panic is impossible to apply.

These are three very grave defects. Taken together, especially in the light of the peculiar needs of a country with the industrial, geographical and political character of the United States, they are enough to condemn the present law and system. Had the distinctive phenomena of our panic of 1907 occurred in any other country, our own financial experts would have been quick to declare that the currency system of that country had simply broken down under the test, and that no time ought to be lost in contriving another system. That the practical bankers of the United States fully recognize the nature of last autumn's experiences, and that they are not likely to allow the governing authorities to forget it when the turmoil of a politi-

cal campaign has passed over, are reassuring facts which confirm Col. Powers' view that the indirectly good results of such a shock as that of 1907 may be great enough to offset the immediate financial havoc.

THE BANKERS DECLARE AGAINST DEPOSIT GUARANTY.

The proposition to guarantee bank deposits was the question of transcending interest. One of the gratifying features of the work of the Convention was the consensus of opinion condemning the scheme. The matter was taken up for consideration on the morning of the very first day, namely Monday, September 28, at the meeting of the Savings Bank Section, and this section condemned both the idea of postal savings banks and the bank deposit guaranty scheme—two equally paternalistic proposals. In the afternoon of the same day the Clearing House Section had its meeting and took similar action. The resolution with reference to the matter presented at the Savings Bank meeting attracts attention by reason of its broad and comprehensive character, showing that the measure is objectionable on many different grounds. The resolution was offered by ex-Governor Myron T. Herrick, of Ohio, and after pointing out that the loss to depositors of savings banks has been so small as to be a negligible quantity, declares that any plan to make each of those banks responsible by taxation or assessment for the acts of one another, *or to connect them with the National banking system*, is "unsound in principle, confiscatory in form, and inimical to the best interest of depositors, stockholders and borrowers." There could be no more sweeping condemnation than this, and yet the statements in it are entirely accurate. It is also correct to say that the guaranty scheme is a "specious form of paternalism and socialism" and that it would "tend to encourage speculation and undue expansion of credit." The resolution records "the most solemn protest against the enactment into law, *either by States or the Nation*, of any principles so subversive to sound economics and so revolutionary in character."

On the second day the Trust Company Section had its meeting, and also took up the subject. As at the meetings of the other sections, debates occurred on the point whether the section had the constitutional right to consider any proposition not of exclusive interest to trust companies. In the end, the resolutions under consideration, offered by F. H. Fries, whose paper on "Radicalism vs. Conservatism" attracted a great deal of attention, were adopted by a vote of 74 to 5. At the regular sessions of the Convention, which did not begin until Wednesday, Col. James D. Powers in his opening address was unsparing in his criticism of the idea.

President Alexander Gilbert in his address on "Vital Issues" dealt incidentally but very effectively with the subject as noted below. Furthermore, one

of the prepared addresses, that of Festus J. Wade, of the Mercantile Trust Company, of St. Louis, was entirely devoted to the subject, and a very convincing and conclusive address it was. The report of the Federal Legislative Commission is given up very largely, almost exclusively, to annihilating the scheme, and this body demonstrates that the plan, so far from preventing panics, is more likely to prove the mother of panics. On the floor of the Convention the subject elicited most earnest discussion, and the gathering finally put itself on record as opposed to the idea by an overwhelming vote.

Mr. Gilbert in his trenchant remarks dealt a blow at once to the Utopian scheme of Mr. Bryan and the fantastic and equally futile scheme of Congressman Fowler which Mr. Taft appears to favor. What for instance could be more conclusive or more to the point than the following:

Now just a word or two about guarantee of deposits. The impression prevails quite widely that the injection of this principle into our banking practice would be a sure preventive of panics. This indicates mental confusion. Panics do not develop from the fear of depositors that they will not ultimately get their money from embarrassed banks, but from the fear that they will not be able to get it when they want it; they cannot afford to have it locked up, and any insurance law which provides that the losses of failed institutions shall be paid by the solvent institutions of the country after the loss shall have been ascertained by liquidation will be powerless to prevent runs on distrusted institutions. Throughout my long experience I have noticed that depositors seldom make a mistake in the selection of the institution to run upon. They very seldom in the first instance trouble a conservatively managed institution. They know intuitively where to strike the first blow, and the second, and the third, and so on until animated by fright and panic they attack every institution that is distrusted or talked about. This is the course which every panic follows; and no insurance law which does not provide for the compulsory payment on demand of the deposits of embarrassed institutions will arrest or change this course. The enactment of such a law would be an act of injustice—contrary to the spirit of our institutions—contrary to that sentiment of right and of fair play which is implanted in every human breast, and it would be fraught with the gravest possible danger in time of panic.

You cannot estimate this danger by studying the operation of such a law in the State of Oklahoma or any of the smaller States where banking capital and deposit liabilities are small comparatively, but apply it to one of our larger States, the State of New York, for instance, many of whose institutions have deposit liabilities of fifty millions and upwards, and quite a few exceeding one hundred millions and up to two hundred millions, what would happen if one or more of those large institutions should become temporarily embarrassed in time of panic, and the solvent institutions should be called upon to pay its depositors on demand? They could not comply; it would aggravate the panic and prolong indefinitely the possibility of recovery. Compulsory legislation, whether it shall require the payment of deposits on demand or the balance due after liquidation, is wrong in principle, illogical, unjust. Why should the old time institutions of the country, with a long and enviable record of wise and conservative management and success, be held responsible for losses growing out of the speculative transactions of speculative institutions, many of which are springing up all over the country in this age of excessive speculative tendencies?

Colonel F. H. Fries, in his address on "Radicalism vs. Conservatism," before the Trust Company Section, likewise delivered some effective blows against both the postal savings bank proposition

and the guaranty scheme, and also declared against giving National banks trust company privileges. With regard to the deposit guaranty scheme he argued that the influence of such a measure would be detrimental to the banks, the bankers and the people. Under such a law the bank itself would have no special inducement to accumulate a large capital and surplus, or build up a name for conservative management. On the contrary, the interest of the stockholders would be best served by the prompt distribution of its earnings and a reduction of its capital to the least amount that it could successfully operate with, while profits, and not safety and reputation, would be its main concern. The consciousness of having deposits guaranteed would give to the speculatively inclined banker just the assurance that would lead him to take undue risks for the sake of extra profit and to the lazy and slothful it would give confidence that would cause him to become less vigilant and careful, while to the people it would give a narcotic that would render them less watchful and more indifferent to true merit and trustworthiness—all of which is undeniably true.

Mr. Festus J. Wade contended that a deposit guaranty is unconstitutional. Speaking of the Oklahoma law he says the word "assessment" is undoubtedly used to disguise the fact that it is really a tax. The power to take is subject to the limitation that a tax must be levied for public purposes only, and an imposition in the form of a tax for purpose of private interest is void and unconstitutional. It takes the private property of the stockholders of solvent banks to pay the deposit creditors of insolvent banks. This is not taking private property for public use. It is the taking of the private property of one class of citizens for the private benefit of another class of citizens, and hence is indefensible upon any theory of taxation or upon any theory of just governmental principles.

But supposing the guaranty proposition constitutional, Mr. Wade shows it must fail. It is attempted to make a horizontal rate of taxation on all banks—good and bad. How long, he asks, would a life, fire, casualty or fidelity insurance company remain solvent if the life insurance company made the same rate on the life of each individual, irrespective of age or state of health; the fire insurance company the same rate on buildings whether frame, brick, fire-proof, in towns and cities with and without protection against fire; the casualty company the same rate on a man walking on the street as on a man working in a powder factory; or the fidelity insurance company the same rate for a bond of the dishonest or inexperienced man as it would charge for the honest, experienced and capable man?

Conservatism, experience, judgment, education in the various financial problems, would count for naught. A man, or set of men, invading the banking field to-morrow, would be placed upon the same plane as the sages in the financial world. Irresponsibility would be promoted by the adoption

of the bank guaranty deposit idea, because under it all deposits would be theoretically "guaranteed." Knowledge of past history and experience would be entirely unnecessary. Any set of men, irrespective of character, ability or financial experience, could form a banking institution in one form or another; put a sign on the door, as they do in Oklahoma—"All deposits guaranteed by the State"—sell their certificates paying five and six per cent. and compete with their neighbor who had weathered financial storms, and who would, by the operation of this chimerical scheme, be required to pay the depositors of dishonest, inexperienced, ignorant or disreputable bankers. Furthermore, under the operation of the law, the solvency of every bank subject to that law, in times of distress, would be questioned. Why? Because it would not only be called upon to show the solvency of its own institution, but to guarantee the deposits of every other institution in the State; accordingly the contingent liability of each bank would be greater a thousandfold than its total assets.

The Legislative Commission of the association declares that the deposit guarantee proposition would compel all banks, by force of law, to pay unknown sums to unknown persons, for eventual losses for an unknown period of time, and subject to unknown risks, over which the parties compelled to pay have no control whatever. It would seem to be taking property without due compensation, and therefore *ultra vires*. They ask if the inevitable effect must not be to impair the present and deter future investment in bank stocks.

With capital sufficient to margin its dealings with the public, a bank next selects men of probity and established character for its management; with the lapse of time the management establishes its efficiency as well as its honesty, and a discriminating public entrusts the bank with its business. The growing volume of deposits and of business establishes a good-will, which is one of the principal elements of the value which bank stock possesses, and therefore a great inducement to bank stock investments. The guarantee plan, however, would seriously impair the value, if not destroy the good-will of a bank, by placing all banks exactly on a par with respect to financial responsibility. For it is to be remembered that while each bank guarantees the deposits of all, each bank assumes the risks and losses of all.

Altogether the deposit guaranty proposal furnished the liveliest as well as the livest topic under discussion and consideration, and with so many and such convincing arguments against the guaranty fallacy, it is not surprising that the association collectively, and all its subdivisions separately, should almost unanimously have condemned the same. It will be admitted, we think, that the action of the bankers on the subject is of no little significance and importance, as indicating the opinion of those best qualified, by training and experience, to pass judgment on the scheme. Necessarily, their condemnation of it must carry great weight.

POSTAL SAVINGS BANKS NOT FAVORED.

Naturally the Savings Bank Section took a decided stand against postal savings banks—a proposal of a piece with the scheme for guaranteeing bank deposits. The Bankers' Association as a whole was not so directly concerned in the matter, but it also declared emphatically against the scheme. The trustees and managers of the savings institutions, charged with such a weighty responsibility in looking after the interests of the poorer classes of the population, for whom savings banks chiefly exist, would have been derelict in their duty if they had failed to go on record in opposition to this delusive and deluding scheme. No one informed as to the proceedings of previous annual meetings of the Savings Bank Section could have been in doubt as to what decision this body would reach when the matter was presented for official action. This was not the first occasion when the subject had been considered. There has been discussion of it in the past, before it became associated with politics, and these discussions had made it plain that sentiment upon the part of savings bank officials was radically and unmistakably hostile to the idea.

There is reason for congratulation in the fact that the Savings Bank Section in registering its protest based its action on such broad and impregnable ground. A special committee, the Committee on Postal Savings Banks, had been considering the matter and in its report laid down the rule that, unless imperatively demanded by public needs, the function of the United States Government should not be extended to the spheres more properly occupied by State governments or by corporate or individual effort. They thought it preferable to educate the newly arrived foreigner to American methods rather than to accommodate our methods to his inexperience.

They "point with pride"—and well they may—to the record of the savings institutions of the United States. The figures for 1907 are not yet available, but during the year 1906 the aggregate net loss to depositors, they say, was the trivial sum of \$120,000, being three ten-thousandths of 1 per cent. on a total of \$3,500,000,000 in savings deposits, whereas the proposed Government rate of 2% would have deprived the depositors of at least \$50,000,000 interest in the same year. No one will dispute the statement that the savings institutions have performed a great service throughout the United States in developing the country. A large proportion of the deposits of those institutions is invested in first mortgages to build homes and in municipal bonds, all of which investments have greatly assisted in the upbuilding of the various communities. Nor can the further statement be denied that "the history of the financial institutions of the United States demonstrates that in safety and in adaptability these institutions are developing as the country develops, through a process of evolution, and that the record of the past is a sufficient guarantee for the future that our present banking facilities will steadily grow to meet all the requirements of the country." The meeting of

the Savings Bank Section endorsed these views and declared against postal banks by a decisive vote.

THE PAPERS AND ADDRESSES.

All the speakers dealt with questions of decided interest and of large public importance, and while their themes differed widely, they all necessarily referred, directly or indirectly, to one or more of the topics of the day. We risk nothing when we say that the general average of the papers and addresses was higher than at any previous Convention.

The remarks of President Woodrow Wilson, of Princeton, on the subject of "The Banker and the Nation," were those of the scholar and teacher animated by a desire to promote the welfare and continued progress of the whole population. He observed that we had witnessed in recent years an extraordinary awakening of the public conscience with regard to the methods of modern business, and now that the moral and political aspects of the matter are laid bare, we have run out of quiet waters into a very cyclone of reform. No man is so poor as not to have his policies for everything. The whole structure of society is being critically looked over, and changes of the most radical character are being soberly discussed, which it would take generations to perfect, but which we are hopefully thinking of putting out to contract to be finished by a specified date well within the limits of our own time.

Every new policy proposed, he points out, has as its immediate or ultimate object the restraint of the power of accumulated capital, for the protection and benefit of those who cannot command its use. We have forgotten what the power of government means and have found out what the power of capital means; and so we do not fear government and are not jealous of political power. We fear capital and are jealous of its domination. He utters a word of caution and says there will be need of many cool heads and much excellent judgment among us to curb this new power without throwing ourselves back into the gulf of the old, from which we were the first of the nations of the world to find a practicable way of escape.

In the popular view the banks are the special and exclusive instrumentalities of capital used on a large scale, and therefore they are deeply concerned in seeing that public opinion and public action shall be guided aright. While it was not the purpose of Dr. Wilson to advocate the establishment of branch banks, he yet ventured the opinion—with great confidence, he asserted—that if a system of branch banks, very simply and inexpensively managed and not necessarily open every day in the week, could be organized, which would put the resources of the rich banks of the country at the disposal of whole countrysides, to whose merchants and farmers only a restricted and local credit is now open, the attitude of plain men everywhere towards the banks and banking would be changed utterly within less than a generation, he thought. The average voter would then learn that the money of the country was not being hoarded; that it was at the dis-

posal of any honest man who could use it; and that to strike at the banks was to strike at the general convenience and the general prosperity. In his view, the problem how capital is to draw near to the people and serve them at once obviously and safely is the question, the great and now pressing question, which it is the particular duty of the banker to answer.

Col. J. D. Powers, in his annual address as President of the Association, was very emphatic in condemning the general craze of the day, which seeks to regulate everything by legislation. His attitude can be judged from the following excerpt:

"Take the platforms of the two great political parties and compare them and you will find so slight a difference except on vote-catching planks, which are so rotten that they are not expected to last beyond the election, that the whole question for business men and true patriots North, South, East and West should be: Where will I find the greatest safety for my property rights, the material welfare of the Nation, the advancement of trade and commerce, the preservation of liberty and equality before the law, and the greatest hope of general prosperity, and there abide until you can do better. Leave the 'buncombe' to the demagogic politicians who are responsible for its existence."

The speech of Alexander Gilbert, President of the Market & Fulton National Bank of this city, on "Vital Issues," was that of the practical banker and man of affairs, and his utterances were the outgrowth of a wide and varied experience. What such a man has to say with reference to the panic and the causes responsible for it, and the way it was handled, naturally carries much weight, for he speaks from personal knowledge. As President of the New York Clearing House Association, he was one of the group of banking men upon whom fell the responsibility for dealing effectively with the critical situation which arose in October and November of last year, and preventing the panic from spreading and resulting in widespread ruin. We commented on Mr. Gilbert's address in an editorial article in the *CHRONICLE* of last Saturday.

In his view when the truth is known as generally in the West as in the East, it will be recognized that the checking and subsequent control of the panic of 1907 was not due alone to the prompt action of the New York Clearing House, but to the fact that the Clearing House banks of New York constitute the most powerful and conservative banking influence in the country. They were prepared for the panic of 1907, he declares—they saw it coming. New York bankers, he observed, had been severely criticised because they did not more fully respond to the demands of country correspondents by shipping currency against balances. To have fully honored, however, the demands that were pouring in from all sections of the country would have dissipated our banking reserve in a fortnight. He points out that the \$53,000,000 deficit in New York

City banking reserve occurred in less than ten days after the suspension of the Knickerbocker Trust Company and was caused by the shipment to interior institutions of the larger portion of that amount in that short time. Continuing, he said: "We kept the door of our treasure house wide open until for the good of the whole country it became necessary to partially close it. It never was fully closed. Currency shipments continued in a restricted way throughout the panic and a large number of our banks kept up their counter payments as usual. It is true that large sums were loaned in Wall Street during the panic, but it was not for gain or to promote stock speculation, but to protect weak spots that had been discovered and to arrest and prevent the further spread of the panic in New York. Whenever a weak spot was discovered, whether in Stock Exchange circles or in mercantile or industrial circles, if it was safe and proper to protect it, money was freely loaned for that purpose."

Before the Trust Company Section, Mr. Breckinridge Jones, of the Mississippi Valley Trust Co., delivered a notable address, entitled, "The Trust Company—A Necessity." Not only did he succeed in establishing his thesis, but he also undertook to show that the national banks, when they assume to engage in trust or other outside functions, are exceeding their authority. He fortified his point, too, with strong argument. Here is his summary on that matter:

"It is submitted that, under the principles and provisions as set out above, the national bank has no power to have a separate safe-deposit department, and run it as a business; has no power to act as transfer agent or registrar of stocks; no power to own stocks of any kind unless taken for debt; no power to act as trustee under a corporate mortgage; no power to buy or sell other than Government bonds generally or on commission; and that if a loss should occur by reason of its doing either of these unauthorized things and the bank should be sued by one who has incurred loss thereby, the bank could successfully plead *ultra vires*."

Mr. Jones's address deserves careful reading. Concerning the way the trust companies passed through the panic of last fall, Mr. Jones asserts that throughout the United States during the last year though twenty-seven trust companies suspended payment more than twenty of these have resumed. Outside of the losses incident to the failure of two trust companies—one the California Safe Deposit and Trust Company of San Francisco and the other the New England Trust Company of Providence, R. I., both of which were looted by officers who are now in prison—it is estimated, he says, that the losses to depositors of failed trust companies in the last panic will not aggregate \$200,000. "Such is the record of over 2,200 companies having aggregate resources of over four and one-half billions of dollars."

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BANKING SECTION

AMERICAN BANKERS' ASSOCIATION

Thirty-Fourth Annual Convention, Held at Denver, Sept. 28, 29, 30, and Oct. 1, 1908

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Vital Issues.

BY ALEXANDER GILBERT, President New York Clearing House, and President Market & Fulton National Bank,
New York City.

Mr. President and Members of the American Bankers' Association:

This is my first visit to Denver, and the first time I ever attended a convention of the American Bankers' Association held outside of the city of New York. Now that I have had a taste of the pleasure, and a suggestion of the profit which one receives from attending these conventions, I regret very much that I have been so indifferent to past opportunities. You will pardon me, I am sure, if I take advantage of my presence here on this occasion to refer to a matter which has been brought home to me by numerous invitations received during the past six months to attend bankers' conventions held in the West for the purpose of correcting a wrong impression that seems to have taken root in the minds of Western bankers, that we Eastern bankers, more especially the bankers of New York during the panic, suspended cash payments, and refused accommodation to our out-of-town correspondents in order that we could loan our money in Wall Street at prevailing high rates of interest. It is difficult for me to believe that this impression prevails to any serious extent. I am prepared to believe that there are bankers scattered throughout the country who really believe it. There were quite a number of untrue, unwise, intemperate speeches made during the last session of Congress by members of both houses, charging the same offense against the New York banks. These speeches were printed in the Congressional Record and through the press disseminated throughout the country, and it would be strange if these misstatements had not found lodgment in many minds. I am not here to apologize for anything the New York bankers did during the panic, for when the truth is known as generally in the West as in the East, it will be recognized that the checking and subsequent control of the panic of 1907 was due not alone to the prompt action of the New York Clearing House, but to the fact that the Clearing House banks of New York constitute the most powerful and conservative

banking influence in the country. They were prepared for the panic of 1907—they saw it coming. The furious stock speculation of 1906 and 1907, with its tremendous pressure for money and abnormal interest rates, developed all the apprehension necessary to suggest caution and preparation. They realized also that a dangerous situation had been created by the large amount of funds sent to New York by interior banks to be loaned in Wall Street at prevailing high rates, knowing full well that the first indication of trouble would result in a recall of those funds. They were also aware that an extraordinary amount having been borrowed abroad on finance bills to bolster up the speculation in stocks, that the world-wide pressure for money would make it difficult, if not impossible, to renew those loans at maturity, and that the burden of providing for them would probably fall on New York. Another threatening danger was the large volume of trust company deposits, almost as great as the bank deposits, against which a very small percentage of cash reserve was being carried. In addition it was feared by the Clearing House Committee that several important banking institutions, controlled and managed by men of well known speculative tendencies, had been seriously weakened by unwise investments. The occurrence of a panic under these conditions would subject not only the banking reserve, but the wisdom of New York bankers, to a terrible strain.

Well, the panic occurred. The institutions that had been weakened by unwise investments went down. New York was the storm center. The paramount question was, could the storm be stayed before its work of devastation and ruin should spread over the entire country. This was the problem confronting the Clearing House Committee. The committee knew that the issuance of Clearing House certificates would immediately bring about a restriction of cash payments throughout the country, causing widespread business inconvenience and embarrassment, and they also

knew by experience that the dissipation of the New York banking reserve upon which practically the credit volume of the nation rests, would alarm the nation, intensify the panic and greatly prolong the period of recuperation. Hoping that the panicky condition might subside, the committee postponed from day to day the issuance of Clearing House Certificates, honoring the drafts that were being made against our rapidly falling reserve until it showed a deficit of \$53,000,000, and then concluded that it would be folly to hesitate longer, and Clearing House certificates were issued.

New York bankers have been severely criticised because they did not more fully respond to the demands of country correspondents by shipping currency against balances. To have fully honored the demands that were pouring in from all sections of the country would have dissipated our banking reserve in a fortnight. How could it be replenished? Were the interior bankers sending currency to New York? What would have been the effect upon the country if the New York banking reserve had been entirely depleted? It would have so intensified the panicky feeling that widespread commercial disaster would have resulted. It was of the highest importance that New York in its cash resources should keep reasonably strong. To sustain public confidence—to provide the pay-rolls for its own industrial organizations and those numerous large corporations scattered throughout the country whose headquarters are in New York—to provide the cash for payments to the government for duties and internal revenue requirements and for the needs of the city and its many important interests. The \$53,000,000 deficit in our banking reserve occurred in less than ten days after the failure of the Knickerbocker Trust Company, and was caused by the shipment to interior institutions of the larger portion of that amount in that short time. We kept the door of our treasure house wide open until for the good of the whole country it became necessary to partially close it. It never was fully closed. Currency shipments continued in a restricted way throughout the panic, and a large number of our banks kept up their counter payments as usual.

Another adverse criticism is that our bankers during the panic loaned large sums of money in Wall Street to promote stock speculation and take advantage of high interest rates. In one sense I cannot say that this is not true. Wall Street required a large amount of credit to meet maturing obligations; the failure of a prominent Stock Exchange house would in its effect upon the general situation have been more disastrous than the failure of a large mercantile house or industrial corporation. The New York Stock Exchange represents in the volume and money value of its transactions the largest business interest in the country. Among its members are many large and important banking houses whose business is strictly legitimate and non-speculative. During a panic these interest must be protected. The Stock Exchange has its own Clearing House. During a panic it is of the highest importance that its daily clearances should be effected without difficulty. During the panic the New York Clearing House Committee was on duty day and night, watching for danger spots in the situation—prepared to protect every weak spot discovered that was entitled to assistance. During the discussion of the currency question last winter at Washington, I appeared before the Banking and Currency Committee. A member of the committee asked me if it was true that the New York banks loaned money in Wall Street during the panic. I replied: I am glad you asked me that question. I should not have known how to introduce the subject, and I only wish that my voice was strong enough to reach the ears of every member of Congress and make them clearly understand the relation of the New York banks to the New York Stock Exchange. It is true that large sums were loaned in Wall Street during the panic, but it was not for gain or to promote stock speculation, but to protect weak spots that had been discovered and to arrest and prevent the further spread of the panic in New York. Wherever a weak spot was discovered,

whether in stock exchange circles, or in mercantile or industrial circles, if it was safe and proper to protect it, money was freely loaned for that purpose. And I want to say with a good deal of emphasis, that nowhere in the world can be found a more conservative and patriotic body of men than the bankers of the New York Clearing House Association, and not for one single moment during the panic was the Clearing House Committee, in directing that great banking power, influenced by thought of gain or other selfish considerations.

New York had resting upon it a great responsibility—a great task to perform—viz., to hold in poise and steadiness the general business interests of the whole country, and to prevent if possible its credit system and its credit superstructure being thrown into violent confusion. Inasmuch as the credit superstructure of the country practically rests upon the banking reserve of New York, the depletion of this reserve could only be permitted to reach a certain point.

If you could have stood where I stood and been conscious of the gravity of the situation and the danger which threatened to involve the business interests of the country in confusion and disaster through the inability of many Stock Exchange houses to borrow money to meet maturing obligations and to effect the daily clearances at the Stock Exchange Clearing House, you would have thought the bankers of New York recreant to their trust had they failed to prevent, if possible, such an occurrence. The failure of a number of prominent banking houses at that moment would have so intensified the panicky feeling and fear which had taken possession of the people, that the credit system of the country would have been shaken from top to bottom. The money which New York banks poured into Wall Street during that exciting time was not to promote stock speculation or to take advantage of high interest rates, but to protect the business interests of the country against threatening and alarming dangers.

The Clearing House bankers of New York deprecate as strongly as the most conservative member of this association the great speculative movements which occur from time to time in stocks and commodities, and would prevent them if possible, but they realize, what every thoughtful man must realize, that dealing in stocks and bonds is just as legitimate a business calling as dealing in any of the commodities of life, and that among the things which are bought and sold in business, corporate securities have just as proper a place as the staple commodities or the luxuries of life. The formation of pools or combinations, however, for the purpose of prompting or carrying on these great speculative movements, bulling or bearing markets, advancing or depressing prices, is a form of gambling compared with which, in its effects upon society, all other forms pale into insignificance.

Notwithstanding this, the New York Stock Exchange is an essential part of the business machinery of the country, and any movement to restrict its operations should be wisely and seriously considered. The marvelous growth and expansion of the country have been largely stimulated by its speculative operations through which large corporate enterprises have been able to market their securities and obtain the funds to finance their various projects. A market for securities is just as essential as a market for commodities—a place where a holder can quickly convert into cash at a fair market value his stocks and bonds. To be without such facilities would almost paralyze the growth and expansion of business. We all know that speculation is not confined to Wall Street; that it is carried on to a greater or less degree in almost every market of staple commodities, and we may be willing to concede that within reasonable limits it is helpful to business. We are also willing to concede that the men who administer the affairs of the Stock Exchange honestly try, through proper regulation, to restrain speculation within reasonable limits, and to prevent improper practices on the part of its members. Having admitted all this, it must be said that too frequently speculation on the Stock Exchange becomes not

only dangerously excessive, but a disturbing factor of large proportions, and it would be a great gain to the country if some way should be discovered by the bankers of the country or by the members of the exchange, or both combined, to modify, if not prevent, the outbreak of these periodic disturbances. The rapid advance of prices through speculation that grows out of legitimate trading operations it may be impossible to prevent, and it may be unreasonable to criticize, but the bolstering up of prices by processes purely manipulative is too costly and too dangerous a pastime to pass by without notice.

The most disturbing factors of the business situation during the two years preceding the panic were the advancing prices of 1906, and the declining prices of 1907, both of which filled the public mind with apprehension. The public was not in the market to any serious extent; money was stringent, interest rates were constantly advancing, and yet all through the year 1906 prices of securities were forced higher and higher until they reached a point which betokened inevitable collapse. Any business man who did any thinking at all knew the collapse could not be avoided—it was only a question of time. This persistent marking up of prices, and the persistent and continuous decline of prices, more than any other influence, kept the whole business world in a state of uncertainty and alarm. I have said that interest rates were constantly advancing. You know how high they went—50, 75, 100 per cent.—and yet these rates only obtained for Stock Exchange loans. Commercial rates were about normal; and had it not been for Stock Exchange demands previous to and during the panic, I doubt if money rates in this country would have at any time been much above normal. The high rate which the Stock Exchange was compelled to pay for money showed clearly where the trouble was. It showed that there had been overtrading and excessive speculation, with resultant inability to finance maturing obligations.

Now, just a word or two about guarantee of deposits. The impression prevails quite widely that the injection of this principle into our banking practice would be a sure preventive of panics. This indicates mental confusion. Panics do not develop from the fear of depositors that they will not ultimately get their money from embarrassed banks, but from the fear that they will not be able to get it when they want it; they cannot afford to have it locked up, and any insurance law which provides that the losses of failed institutions shall be paid by the solvent institutions of the country after the loss shall have been ascertained by liquidation, will be powerless to prevent runs on distrusted institutions. Throughout my long experience I have noticed that depositors seldom make a mistake in the selection of the institution to run upon. They very seldom in the first instance trouble a conservatively managed institution. They know intuitively where to strike the first blow, and the second, and the third, and so on until animated by fright and panic they attack every institution that is distrusted or talked about. This is the course which every panic follows; and no insurance law which does not provide for the compulsory payment on demand of the deposits of embarrassed institutions will arrest or change this course. The enactment of such a law would be an act of injustice—contrary to the spirit of our institutions—contrary to that sentiment of right and fair play which is implanted in every human breast, and it would be fraught with the gravest possible danger in time of panic. You cannot estimate this danger by studying the operation of such a law in the State of Oklahoma or any of the smaller States where banking capital and deposit liabilities are small comparatively, but apply it to one of our larger States, the State of New York, for instance, many of whose institutions have deposit liabilities of fifty millions and upwards, and quite a few exceeding one hundred millions and up to two hundred millions, what would happen if one or more of those large institutions should become temporarily embarrassed in time of panic, and the solvent institutions should be called upon to pay

its depositors on demand? They could not comply; it would aggravate the panic and prolong indefinitely the possibility of recovery. Compulsory legislation, whether it shall require the payment of deposits on demand or the balance due after liquidation, is wrong in principle, illogical, unjust. Why should the old-time institutions of the country, with a long and enviable record of wise and conservative management and success, be held responsible for losses growing out of the speculative transactions of speculative institutions, many of which are springing up all over the country in this age of excessive speculative tendencies?

The taxation of the ably and conservatively managed savings banks of New York and of some of our Eastern States whose investments are restricted by law, to protect depositors of so-called savings banks, many of which can be found throughout the country doing the freest kind of banking business without any restrictions whatever, would be a travesty upon justice. But the principle of justice seems to have been overlooked in working up this new theory for preventing panics. Governor Hughes very wisely suggests, why not apply this same principle to life insurance, the safety of which concerns nearly every home in the country? Why not apply it to our great railway corporations and industrial corporations whose stocks and bonds are scattered broadcast throughout the land, and which through possible mismanagement or overcapitalization might entail heavier losses upon investors than can possible arise through failed banking institutions?

If more legislation is needed to protect bank depositors, let it be such as will differentiate the various classes of institutions which are doing a general banking business—the bank which deals in corporate securities—the commercial bank, trust companies and savings banks. Confine each to its legitimate function, provide proper limitations and restrictions with regard to investments; also adequate and thorough supervision.

The guarantee principle is all wrong. If it does not put a premium on bad banking, it surely lessens the incentive to wise and conservative banking, and it lessens the caution of depositors in the selection of their banks. It enables the banker who desires to build up a large deposit line for speculative purposes to accomplish his purpose through the assurance that he can give his depositors that they are guaranteed against loss, and inasmuch as his only purpose is speculation, he can induce deposits by payment of high interest rates, all of which will work injury to the maintenance and development of sound banking. Practically there can be no such thing as voluntary or optional guarantee of deposits. Oklahoma makes it compulsory on State banks and optional with National banks, to comply with the law, knowing full well that, with few exception, in order to save their business, the National banks will be compelled to comply. The Williams bill, introduced at the last session of Congress, which is said to have the approval of Mr. Bryan, makes it optional for any banking association or trust company to embrace its deposit guarantee principle and as an inducement provides for the investment of one-half of the banking reserve of the country in bonds to be used as security for emergency circulation, thus destroying at one blow one-half of the foundation upon which the commercial credit of the country rests. Mr. Fowler in his bill provides for credit currency issues—puts them on the same footing with deposits, and provides a guarantee fund to protect both depositors and note holders. His proposition is part of a general scheme for scientifically reforming the currency. In theory his bill is very attractive—a well-thought out measure—but it can never be reduced to practice. It aims to accomplish too much. This country is so strongly intrenched in its present currency system that it will be impossible to tear it up root and branch. Congress will not be in any mood to hearken to any new propositions until the Currency Commission reports and finishes its labors. Whatever changes are made in the meantime must be in the nature of amendment to our banking law. Our

present system has been in operation for forty-five years—and it is not as bad as represented. It has its defects, but we know what they are and can apply the proper remedies with less difficulty and greater confidence than we can introduce a new system. It is only within the past few years which have been marked by great business expansion and speculation that any great amount of adverse criticism has been urged against the system. The notes have had the confidence of the people and have been issued in sufficient volume to suit the demands of business, with very few exceptions. In analyzing this statement, it is necessary to differentiate banking credit and currency. When a great strain upon the banking credit of the country exists, an increased issue of bank notes will not relieve the strain unless the notes are a legal tender and can be made the basis for an expansion of bank credit. In time of panic, when hoarding is taking place and everybody is clamoring for currency, no properly regulated currency system can meet the demand. The amendments to the National Banking Law, suggested by the experience of recent years, in my judgment should be:

First—The repeal of the tax upon circulation to make the note issue a little more profitable.

Second—More adequate redemption facilities to compel the retirement of notes when not needed, and to make expansion possible when required.

Third—Provision for an increased issue when emergencies require it.

For this purpose the American Bankers' Bill with one or two trifling amendments would have worked admirably, but instead we have the Vreeland-Aldrich bill. It is not what we should have, but it will probably be our only refuge for some time. So for the present let us reconcile ourselves to it graciously, and try to secure an amendment reducing the tax upon emergency issues, so as to make it workable and serviceable if perchance we should have need for it before something better takes its place.

Let us also keep in view the fact that what we require to round out our system is a central bank with branches authorized to issue an asset currency in time of need to be issued to banks as loans on acceptable security at a rate

of interest fixed by law, not less than 5 per cent. per annum. Such a bank would deal only with banks and the Government and be so safeguarded by law as to neutralize all the criticism that is urged against a central bank. Its note issues would be secured by a guarantee fund—a 25 per cent. gold reserve—adequate redemption facilities, a provision for prompt retirement and cancellation when presented for payment.

It is unnecessary to go into details—sufficient to say that the experience of European nations teaches that the movement for currency reform in this country must eventuate either in a central bank or asset currency. I am a believer in the safety and feasibility of asset currency when confined to a few large banks similar to the system operated in Canada, Scotland, Germany or France, but in this country, with seven thousand National banks, many of them very small banks, privileged to issue asset currency, which privilege would serve to increase the number rapidly, I very much fear that it would prove impossible, through what we term adequate redemption facilities, to properly regulate the issues and prevent inflation.

On the other hand, a central bank would centralize the note issues and the banking reserve, and would carry the Government deposits, and would at all times be a source of supply from which other banks could obtain help in the hour of need. It could negotiate foreign loans in time of panic. It could regulate the interest rate better than any other agency, and would probably work just as well here as in any of the Continental nations. If we could reconcile ourselves to the idea that a great central bank—either a bank of banks, or a Government bank—could be as safely and successfully operated in this country as anywhere in the world, and at the same time would set ourselves to work to develop a plan, I feel quite confident that practical results would be reached in a short time. Whatever is done must be done gradually. Our system would not be the worst in the world if its lack of elasticity could be remedied. A central bank such as I have suggested would accomplish this effectively, and possibly after a few years of successful trial would pave the way to the abandonment of our bond-secured theories.

The Banker and the Nation.

By Dr. Woodrow Wilson, President Princeton University.

We have witnessed in recent years an extraordinary awakening of the public conscience with regard to the methods of modern business—and of the private conscience also, for scores of business men have become conscious, as they never were before, that the eager push and ambition and competition of modern business had hurried them, oftentimes unconsciously, into practices which they had not stopped, in the heat of the struggle, to question, but which they now see to have been immoral and against the public interest. Sometimes the process of their demoralization was very subtle, very gradual, very obscure, and therefore hidden from their consciences. Sometimes it was crude and obvious enough, but they did not stop to be careful, thinking of their rivals and not of their morals. But now the moral and political aspects of the whole matter are laid bare to their own view as well as to the view of the world, and we have run out of quiet waters into a very cyclone of reform. No man is so poor as not to have his policies for everything. The whole structure of society is being critically looked over, and changes of the most radical character are being soberly discussed, which it would take generations to perfect but which we are hopefully thinking of putting out to contract to be finished by a specified date well within the limits of our own time.

It is not my purpose on the present occasion to discuss particular policies and proposals. I wish, rather, to call your attention to some of the large aspects of the matter,

which we should carefully consider before we make up our minds which way we should go and with what purpose we should act.

What strikes one most forcibly in the recent agitations of public opinion is the anatomy of our present economic structure which they seem to disclose. Sharp class contracts and divisions have been laid bare—not class distinctions in the Old-World or the old-time sense, but sharp distinctions of power and opportunity quite as significant. For the first time in the history of America there is a general feeling that issue is now joined, or about to be joined, between the power of accumulated capital and the privileges and opportunities of the masses of the people. The power of accumulated capital is now, as at all other times and in all other circumstances, in the hands of a comparatively small number of persons, but there is a very widespread impression that those persons have been able in recent years as never before to control the national development in their own interest. The contest is sometimes said to be between capital and labor, but that is too narrow and too specific a conception of it. It is, rather, between capital in all its larger accumulations and all other less concentrated, more dispersed, smaller, and more individual economic forces; and every new policy proposed has as its immediate or ultimate object the restraint of the power of accumulated capital, for the protection and benefit of those who cannot command its use.

This anatomizing of our social structure, this pulling it to pieces and scrutinizing each part of it separately as if it had an independent existence and interest and could live not only separately but in contrast and contest with its other parts, as if it had no organic union with them or dependence upon them, is a very dangerous and unwholesome thing at best; but there are periods of excitement and inquiry when it is inevitable, and we should make the best of it, if only to hasten the process of reintegration. This process of segregation and contrast is always a symptom of deep discontent. It is not set afoot accidentally. It generally comes about, as it has come about now, because the several parts of society have forgotten their organic connections, their vital interdependence, and have become individually selfish or hostile—because the attention of a physician is in fact necessary. It has given occasion to that extensive and radical programme of reform which we call Socialism and with which so many hopeful minds are now in love. We shall be able to understand our present confused affairs thoroughly and handle them wisely only when we have made clear to ourselves how this situation arose, how this programme was provoked, and what we individually and collectively have to do with it.

The abstract principles of Socialism it is not difficult to admire. They are, indeed, hardly distinguishable from the abstract principles of Democracy. The object of the thoughtful Socialist is to effect such an organization of society as will give the individual his best protection and his best opportunity, and yet serve the interest of all rather than the interest of any one in particular: an organization of mutual benefit, based upon the principle of the solidarity of all interests. But the programme of Socialism is another matter. It is not unfair to say that the programmes of Socialism so far put forth are either utterly vague or entirely impracticable. That they are now being taken very seriously and espoused very ardently is evidence, not of their excellence or practicability, but only of the fact to which no observant man can any longer shut his eyes, that the contesting forces in our modern society have broken its unity and destroyed its organic harmony—not because that was inevitable, but because men have used their power thoughtlessly and selfishly, and legitimate undertakings have been pushed to illegitimate lengths. There has been an actual process of selfish segregation, and society has so reacted from it that almost any thorough-going programme of reintegration looks hopeful and attractive. Such programmes cannot be thrust aside or defeated by mere opposition and denial; they can be overcome only by wiser and better programmes, and these it is our duty as patriotic citizens to find.

The most striking fact about the actual organization of modern society is that the most conspicuous, the most readily wielded, and the most formidable power is not the power of government, but the power of capital. Men of our day in England and America have almost forgotten what it is to fear the government, but have found out what it is to fear the power of capital, to watch it with jealousy and suspicion, and trace to it the source of every open or hidden wrong. Our memories are not of history but of what our own lives and experiences and the lives and experiences of the men about us have disclosed. We have had no experience in our day or in the days of which our fathers have told us of the tyranny of governments, of their minute control and arrogant interference and arbitrary regulation of our business and of our daily life, though it may be that we shall know something of it in the near future. We have forgotten what the power of government means and have found out what the power of capital means; and so we do not fear government and are not jealous of political power. We fear capital and are jealous of its domination. There will be need of many cool heads and much excellent judgment amongst us to curb this new power without throwing ourselves back into the gulf of the old, from which we were the first of the nations of the world to find a practicable way of escape.

The only forces that can save us from the one extreme

or the other are those forces of social reunion and social reintegration which every man of station and character and influence in the country can in some degree and within the scope of his own life set afoot. We must open our minds wide to the new circumstances of our time, must bring about a new common understanding and effect a new co-ordination in the affairs which most concern us. Capital must give over its too great preoccupation with the business of making those who control it individually rich and must study to serve the interests of the people as a whole. It must draw near to the people and serve them in some intimate way of which they will be conscious. Voluntary co-operation must forestall the involuntary co-operation which legislators will otherwise seek to bring about by the coercion of law. Capital now looks to the people like a force and interest apart, with which they must deal as with a master and not as with a friend. Those who handle capital in the great industrial enterprises of the country know how mistaken this attitude is. They see how intimately the general welfare and the common interests are connected with every really sound process of business and how all antagonisms and misunderstanding hamper and disorganize industry. But no one can mistake the fact and no one knows better than the manipulators of capital how many circumstances there are to justify the impression. We can never excuse ourselves from the necessity of dealing with facts.

I am sure that many bankers must have become acutely and sensitively aware of the fact that the most isolated and the most criticised interest of all is banking. The banks are, in the general view and estimation, the special and exclusive instrumentalities of capital used on a large scale. They stand remote from the laborer and the body of the people, and put whatever comes into their coffers at the disposal of the big captains of industry, the great masters of finance, the corporations which are in the way to crush all competitors.

I shall now stop stop to ask how far this view of the banks is true. I need not tell you that in large part it is false. I know that the close connection of the banks with the larger operations of commerce and finance is natural and not illicit, and that the banks turn very cheerfully and very cordially to the smaller pieces of business. Time was when the banks never advertised, never condescended to solicit business; now they eagerly seek it in small pieces as well as big. The banks are in fact and in spirit at the service of every man to the limit of his known trustworthiness and credit, and they know very well that there is profit in multiplying small accounts and small loans. But, on the other hand, they are in fact singularly remote from the laborer and the body of the people. They are particularly remote from the farmer and the small trader of our extensive countrysides.

Let me illustrate what I mean. Roughly speaking, every town of any size and importance in the United States has its bank. But the large majority of our people live remote from banks, are unknown to the officers who manage them and dispense their credit. Moreover, our system of banking is such that local banks must for the most part be organized and maintained by local capital and have at their disposal only local resources. It is difficult for those of you who do not travel leisurely in the vast rural districts of this country to realize how few and far between the banks are, or how local and petty and without extensive power to help the community most of them are when you find them. A friend of mine rode through seven counties of one of the oldest of our States before finding any place where he could change a twenty-dollar bill; and I myself was obliged one summer, in a thriving agricultural district, to get change for bills of any considerable denomination sent to me by express from banks fifty miles distant. The business of the country was done largely by barter. I do not wonder that the men there about thought that the money of the country was being hoarded somewhere, presumably in Wall Street. None of it was accessible to them,

though they by no means lacked in this world's goods. They believed in the free coinage of silver, not realizing that the silver, too, would have to be handled by the banks and would be equally inaccessible. It would not have been shipped like ordinary merchandise.

"Where and whose is the money of the country?" is the question which the average voter wants his political representative to answer for him. Bankers can answer the question, but I have met very few of them who could answer it in a way the ordinary man could understand. Bankers, as a body of experts in a particular very responsible business, hold, and hold very clearly, certain economic facts and industrial circumstances in mind, and possess a large and unusually interesting mass of specialized knowledge of which they are masters in an extraordinary degree. But I trust you will not think me impertinent if I say that they excuse themselves from knowing a great many things which it would manifestly be to their interest to know, and that they are oftentimes singularly ignorant, or at any rate singularly indifferent, about what I may call the social functions and the political functions of banking, particularly in a country governed by opinion. I am not here to advocate the establishment of branch banks or argue in favor of anything which you understand better than I do. But I have this to say, and to say with great confidence: that if a system of branch banks, very simply and inexpensively managed and not necessarily open every day in the week, could be organized, which would put the resources of the rich banks of the country at the disposal of whole countrysides to whose merchants and farmers only a restricted and local credit is now open, the attitude of plain men everywhere towards the banks and banking would be changed utterly within less than a generation. You know that you are looking out for investments; that even the colossal enterprises of our time do not supply you with safe investments enough for the money that comes in to you; and that banks here, there, and everywhere are tempted, as a consequence, to place money in speculative enterprises, and even themselves to promote questionable ventures in finance at a fearful and wholly unjustifiable risk in order to get the usury they wish from their resources. You sit only where these things are spoken of and big returns coveted. There would be plenty of investments if you carried your money to the people of the country at large and had agents in hundreds of villages who knew the men in their neighborhoods who could be trusted with loans and who would make profitable use of them. Your money, moreover, would quicken and fertilize the country, and that other result would follow which I think you will agree with me is not least important in my argument: The average voter would learn that the money of the country was not being hoarded; that it was at the disposal of any honest man who could use it; and that to strike at the banks was to strike at the general convenience and the general prosperity. I do not know what the arguments against branch banks are; but these I know from observation to be the arguments for them; and very weighty arguments they seem to me to be.

That, however, need not concern me. I am not so much interested in argument as in illustration. My theme is this: bankers, like men of every other interest, have

their lot and part in the nation, their social function and their political duty. We have come upon a time of crisis when it is made to appear, and is in part true, that interest is arrayed against interest; and it is our duty to turn the war into peace. It is the duty of the banker, as it is the duty of men of every other class, to see to it that there be in his calling no class spirit, no feeling of antagonism to the people, to plain men whom the bankers to their great loss and detriment do not know. It is their duty to be intelligent, thoughtful, patriotic intermediaries between capital and the people at large; to understand and serve the general interest; to be public men serving the country as well as private men serving their depositors and the enterprises whose securities and notes they hold. How capital is to draw near to the people and serve them at once obviously and safely, is the question, the great and now pressing question, which it is the particular duty of the banker to answer. No one else can answer it so intelligently; and if he does not answer it, others will, it may be to his detriment and to the general embarrassment of the country. The occasion and the responsibility are yours.

We live in a very interesting time of awakening, in a period of reconstruction and readjustment, when everything is being questioned and even old foundations are threatened with change. But it is not a time of danger if we do not lose our heads and ignore our consciences. It is, on the contrary, a time of extraordinary privilege and opportunity when men of every class have begun to think upon the themes of the public welfare as they never thought before. I feel that I have only to speak of your social duty and political function to meet with a very instant and effectual response out of your own thoughts and purposes. I think that you will agree with me that our responsibility in a democratic country is not only for what we do and for the way and spirit in which we do it, but also for the impression we make. We are bound to make the right impression and to contribute by our action not only to the general prosperity and well-being of the country, but also to its general instruction, so that men of different classes can understand each other, can serve each other with intelligence and energy. There is a sense in which a democratic country statesmanship is forced upon every man of initiative, every man capable of leading anybody; and this I believe to be the particular period when statesmanship is forced upon bankers and upon all those who have to do with the application and use of the vast accumulated wealth of this country. We should, for example, not only seek the best solution for our currency difficulties, not only the safest and most scientific system of elastic currency to meet the convenience of a country in which the amount of cash needed at different times fluctuates enormously and violently, but we should also seek to give the discussions of such matters such publicity and such general currency and such simplicity as will enable men of every kind and calling to understand what we are talking about and take an intelligent part in the discussion. We cannot shut ourselves in as experts to our own business. We must open our thoughts to the country at large and serve the general intelligence as well as the general welfare.

Abnormal Features of American Banking.

BY B. E. WALKER, President of the Canadian Bank of Commerce.

Somebody once said to a celebrated English statesman, renowned for his clear conceptions of all economic subjects, "I suppose you understand all about the currency"—to which the reply was, "No, indeed I do not, but I believe there are people who do." Most of us are willing to admit that the currency is a complicated mystery. We may feel sure that we can trace the effect on the general financial situation of this or that particular factor, but we have to confess that cannot balance the effect of all of the factors and state clearly, even after a panic, what has caused the disturbance and what we must guard against in future. But when we consider the currency and banking system of the United States, and remember what we have experienced in the panics of 1873, 1890, 1893 and 1907, we need not hesitate to admit that something is radically wrong, whether we can agree either as to the disease or as to the remedy. I have ventured by my title to suggest that there are abnormal features in United States banking, and this presumes that banking can be reduced to norms, and that aberrations therefrom can be demonstrated as such. I am not sure, however, that many clear principles in banking can be set out which are applicable everywhere. As a rule the banking and currency of a country have been intercepted in their natural development by the effect of war or by unwise creation of public debt, and, unfortunately, sometimes by the mere ignorance of legislators. When the natural trend of the banking of any country has been thus thwarted, time usually brings about, either by direct reform or by artificial compromises, such adjustments as are necessary to make the banking system reasonably useful to the country which it is supposed to serve.

In naming the prominent causes of deflection I placed ignorance last, but perhaps it should be placed first. As the great English statesman hinted, few understand the currency, and the country which in its constructive period possessed among its citizens a genius who among his other great deeds as soldier and statesman was determined to restore the disordered finances of his country and to set in the right path for the future the great industrial agency of banking, was unusually fortunate. Such a country was the United States at the close of the eighteenth century, and such a citizen was Alexander Hamilton. He doubtless knew little about currency and banking when he began, and we can almost see his mind turning, in the weltering confusion of the time, from one expedient to another in order to find a course which was sound financially and at the same time suited to the poverty of a country possessing a depreciated currency and no capital with which to create banks. He had about him the two usual types of advisers—those who were willing to try any course of reckless folly in order to escape from the present evils; and those who, while bewailing the evils, were unwilling to depart from the narrowest course of safety. This second class we have always with us—men only too ready to criticize, to point out dangers they are too timid to face, but never ready themselves to suggest a remedy for the evils to be dealt with. There were happily in those early days a few men of courage, sanity and intelligence in finance besides Hamilton, such as Morris, Gallatin and others, but the man of distinctly constructive ability was Hamilton. It does not seem to be material that some of his views regarding finance have been shown by time to be unsound, or that he was trying not so much to discover the abstract principles of banking as to mend the broken fortunes of both state and individual by trying to establish banking and public and

private credit on a sounder basis. Unfortunately—very unfortunately in my opinion—there was a line of political cleavage of vast importance, which influenced profoundly the discussion of banking then, and which still remains the fundamental difficulty in the path of reform. Hamilton strove with all his might for everything which would make a strong central power, he being unable to conceive how a great nation could otherwise be created. The extent to which the thirteen units of government then joining the United States should retain or give up their powers of government was a matter of compromise, but, I fancy, Hamilton would have approved of the plan we adopted in Canada in 1867—that is, to give the Provinces certain powers and reserve to all other phases of sovereignty for the Federal Government. Among the powers possessed only by the Federal Government in Canada is that relating to banking; but in the nascent United States the thirteen States already possessed many small banks and besides this the fear of the concentration of power of any kind was widespread. Apart from these obstructions to a sound course, the country did not possess the capital with which to create a great industrial bank. The fear of partial ownership, including the control of the stock, by the State, existed among many, very rightly I think; and the fear that a great bank of which the control was owned privately might fall under the power of foreigners, perhaps of England, was certainly natural enough at that time. In the midst of such difficulties the first Bank of the United States was founded, but in a few years, and while, as we can now plainly see, it was doing its allotted work very well indeed, it was strangled by those who favored the small banks. Almost immediately the second Bank of the United States followed, only to meet a similar fate at the hands of Jackson. Thus for the second time a system of banking which might have made the country strong to meet financial emergencies, which tended already to make the various scattered parts of the country cohere in commercial matters, which was rapidly creating credit in Europe, and which with all the inevitable faults of youth was performing the functions claimed for it remarkably well, was destroyed in favor of an incoherent system of individual State banks.

I am a foreigner, but as five of the establishments included in the bank of which I am President are situated in cities of the United States, I hope you will not regard me as a foreigner for the moment. There are very few banks in the whole country who have a larger interest in the soundness of your banking and in your freedom from panics than my own bank. Remembering my peculiar position, I am particularly desirous not to wound the susceptibilities of any of my hearers, but I hope it is safe to say that Alexander Hamilton was clearly the leading intellect in that wonderful group of men who framed the Constitution. At a time when few men could withstand the onrush of new ideas, largely visionary and false, which accompanied the French Revolution, Hamilton was unshaken in his clear vision as to the future of his country, and few will deny that where you followed his advice you did well, and where you opposed it you did not always act wisely. It may be argued that neither of the two Banks of the United States was so admirable in its career that we need sigh over its removal, but we can only judge them by comparison with the smaller banks of the same period. In your colonial and revolutionary times you had a curiously full and varied experience in banking and currency. Fiat money, depreciated coinage, currency based on land, clamor by debtors

for cheaper money with which to pay debts, were all amply experienced. In the following period, contemporaneously with the first and second Banks of the United States, you passed through a time largely of mania in banking; a time when history was recording for this country such fundamental facts as that banks cannot establish a capital fund merely upon the promissory notes of shareholders; cannot put bank notes into circulation even by the expedient of sending them far from home before issuing them, without considering how they are to be redeemed; cannot lend money on land, or lock it up in other ways, and also have it again when the bank's debts, exigible on demand, fall to be paid. Indeed, it was a time when every vagary in unsound banking was being tried. But Hamilton, from some of these experiences and from European history, planned for you a banking system which contained much of what is good in the successful systems of the world. You would not, however, have his system, but preferred to repeat in each new district, from east to south and west, wherever debt and ignorance combined to create banking and currency, the same errors which make such startling history in the early part of the nineteenth century. Is it not time for us to put aside that silly vanity to which democracies are inclined—that it is better to try our own experiments and to ignore history? Unfortunately the apparently brand-new experiments we are willing to try have usually occurred to others in the past, if we had but patience to discover the fact.

I may as well at this point admit that I have nothing new to say. I am merely trying to put facts and arguments made many years ago into a new form. We are dealing with a case where the patient has immediately after each serious illness exclaimed: "What shall I do to be saved?" has repeatedly been given good advice by the experts of his own country, and has never yet in any particular acted in accordance with such advice. What seems to be necessary is not so much to suggest means of reform, as to induce the patient to believe firmly, once and for all, that if he persistently neglects all remedial measures the next attack may leave him in a state past all aid. Any purpose I have in reading this paper will be amply served if I can for one brief moment lay emphasis upon the disagreeable fact that while reform in the banking and currency systems of the United States is absolutely necessary, there is no probability whatever that any substantial reform will take place at the moment.

The profound line of cleavage which made it so difficult to create the first Bank of the United States, and which destroyed it and its successor, still exists. It lies between those who favor a system of banking good for the nation, as a whole, as opposed to a system of banking which may be right or wrong for the great number of units engaged in the business of banking, but which is clearly not right for the nation as a whole.

It is not possible in the short time at my disposal to review all of the features in the banking of the United States in which the obstacle to reform lies mainly or altogether in the existence of numerous small banks, but with your permission I shall take up a few of the leading features.

RESERVES.

Most prominently I would place the so-called fixed reserves—the attempt by law to fix the minimum percentage of cash to be held by each bank against its liabilities.

The real reserve requirements of any particular bank differ from those of other banks in accordance with the nature of its obligations as compared with theirs. It is conceivable that the ideal point at which cash reserves should be kept would be different in the case of any ten or twenty banks which you might select for comparison, even in the same city or community. The bank which acts mainly as a banker for other banks needs very large reserves indeed. A bank in the same city doing mainly the business of manu-

facturers, merchants, exporters, etc., will need altogether smaller reserves, and a bank gathering the savings of a quiet country community needs much less again. The law attempts to recognize these facts, but is evidently unable to do so except in a most imperfect manner. Clearly each bank, if it could be trusted to have sufficient intelligence, should be the judge of the reserves it should keep, and it seems safe to say that if you had continued to create large banks with branches, instead of thousands of small banks, the attempt to provide wisdom by law would never have been made. You would doubtless have done as all other nations have done, and not have been an exception to so general a rule.

If the wrong done only resulted in causing small banks to keep more reserves than they actually required, little would need be said; but, as has been shown, the law can be so worked as to provide reserves quite too small, and experience shows that banks as a rule choose to keep reserves larger than the law requires. The defect in the law, however, is that by arbitrarily fixing the minimum reserves which must be always in hand, it practically forbids the use of the reserves for the very purpose for which they have been created. The law undertakes to supply that wisdom which it presumes the thousands of bankers do not all possess, and to lay by for them against the rainy day the provision which it presumes they would not be prudent enough to make. But who is to supply the wisdom demanded by such authorities as Walter Bagehot, who says that in a panic the sound banker should lend to the bottom of his box? In times of peace the wise prepare for war, but when war comes the army is flung into the field, not still held in reserve. The law, however, having forced the sequestration of so much cash and cash resources against the day of trouble, provides no means by which, either under its own wise and paternal direction or at the discretion of the bankers unaided by the wisdom of the law, the cash thus provided may be used to avert disaster.

I do not wish to be understood as claiming that the present law should be repealed and the thousands of individual banks be left to do as they like. I presume it is true that they cannot be trusted, and that because of the folly which destroyed a more natural system of banking you have condemned yourselves to submit to a paternalism which fixes your cash reserves for you. But I urge as one of the great evidences of the unnaturalness of your system of individual banks the fact that they cannot be trusted to take care of their own reserves, and that no law has been devised which will act the part of Providence for them. I do not maintain that where the banks are larger relatively to the country, as in Canada, they are always wise enough to keep sufficient reserves. It is, as we know, a subject much discussed in many countries, and it would be well, indeed, if banks could in some way be forced to keep larger reserves, provided there be no interference with the use of these reserves when the hour of danger arrives.

Everybody admits the mischief created in the United States from the inability to use legally the reserves for the very purpose for which they are held, and I do not remember that anyone has suggested a better remedy than that which takes place in every panic, viz., the breaking of the law by simply not maintaining the reserves. But through the press the public is kept keenly aware as to the exact point in the New York reserves below which the use of them will be illegal, and thus the panic is increased by the very attempt to get at the cash necessary to allay it, while under any ordinary system the panic could probably be averted altogether by a wise use of the cash in hand, instead of being allowed to reach a stage where it can only be stopped by almost superhuman efforts after it has run part of its course of ruin and disaster.

I think the following statement will show that almost every panic since the war could have been prevented or arrested early in its course by the natural use of only a reasonable part of the actual cash in hand:

NEW YORK CLEARING HOUSE.

	1873.	1884.	1896.	1893.	1907.
1. Cash reserves at beginning of panic.....	\$53,152,500	\$80,911,000	\$99,773,100	\$110,410,900	\$207,610,500
2. Surplus over legal requirement.....	3,642,475	4,455,450	701,975	8,776,800	11,182,650
3. Reserves at lowest point as compared with legal requirement.....	19,069,000	67,536,700	91,801,400	76,505,500	215,851,100
4. Deficiency in reserves at this point.....	18,893,075	6,607,125	*2,429,650	16,545,375	54,109,600
5. Date of first issue of Clearing House Certificates.....	Sept. 22	May 15	Nov. 12	June 21	Oct. 26
6. Date of maximum issue of Clearing House Certificates.....	Nov. 20	June 6	Dec. 22	Sept. 6	Jan. 30, 1908
7. Date when last Clearing House Certificate was retired.....	Jan. 14, 1874	Sept. 23, 1886	Feb. 7, 1891	Nov. 1, 1893	Mar. 28, 1908
8. Maximum amount issued.....	\$26,565,000	\$24,915,000	\$16,645,000	\$41,490,000	\$101,069,000

*In 1890 the reserve fluctuated considerably from the first of July to the end of the year, and was below the legal requirement frequently before the issue of Loan Certificates. On Sept. 13th the deficit was \$3,306,925, and two weeks later the excess was \$14,075,400.

CLEARING HOUSE CERTIFICATES AND RE-DISCOUNTS.

In order to avert panics, and also in order to avert the failure of an individual bank with sound assets, something more may be necessary than the unrestrained use of the cash and quick assets in hand. The ability to re-discount should exist somewhere within reach. The great banks of a country should manage so as not to require such aid, but small banks in most countries require it from time to time, and not merely at the moment of a panic. Under ordinary conditions a bank in the United States requiring to re-discount some of its paper can do so, but if there is any financial strain all bankers, big and little, begin to button up their pockets and re-discounts soon become nearly impossible. Indeed, instead of the banks in the great financial centers, where alone the power to aid could be expected to exist, being able to help their country friends, some of them are soon unable to get along without aid from other members of their own city clearing house. But there are almost no banks of such national importance that they feel the necessity of aiding directly their weaker brethren, whether it is convenient to do so or not, and thus the clearing house certificate came into use. It is not only a splendid tribute to the genius of the American people for organization, but so long as its use is between banks alone it is a perfectly natural and a most effective plan for allaying a panic that has once been created. It could also be made an instrument in connection with a proper use of reserves, to largely avert panics, if only some wise autocrat could be entrusted to decide when clearing house certificates should be issued, but as to the moment of necessity there is never likely to be unanimity of opinion so long as the decision depends on the judgment of several bankers. And therefore the illegal use of the cash reserves and the issue of clearing house certificates must always come too late to prevent the panic. They may alleviate and cure, but they are not available to prevent. Still, they are such a natural and efficient means of making the banks who have abundant reserves help those who have not, that we may expect to see clearing house certificates or something closely akin to them in other countries where there is no great state bank to whom smaller banks may go with some show of right.

Until the latest panic these loan certificates were only issued in the largest money centers, but on this occasion they were issued by fifty-one clearing houses, and doubtless in the course of future panics they will become practically available to every bank. The wide extension of their use, however, raises a new question. Used in the real money centers and issued only in large blocks between banks they remain what they were intended to be, mere loan obligations assisting banks to build up their reserves, and also enabling them to make additional loans to customers who but for such aid might fail. But the extension of their use to numerous cities and towns where actual cash supplies are nearly exhausted, and the issue of these loan certificates in small denominations to the general public as currency, in open defiance of law, while creditable to the ingenuity and audacity of the American people, are new features of an alarming character. There are dangerous expedients we praise ourselves for resorting to when heroic action is necessary for the general safety, but which are little better than crimes if they are repeated. An able banker* has referred to clearing house certificates as an "emergency circulation," and as an "asset currency" that even he would approve of. I think much mischief will arise if these loan

certificates are ever generally regarded as anything other than what they were originally—a species of re-discounts between banks. Currency, to be such, should be available between the banks and the people, and should surely be legal whether it is wisely issued or not.

But before leaving the subject of clearing house certificates let us consider how their use, and volume, and abuse, are affected by the existence of thousands of individual banks instead of a comparatively few large banks with branches. Whether we have one system or the other the actual cash will accumulate largely in the few great monetary centers. In the case of individual country banks the cash not needed at home goes to their reserve agents, while in the branch system the series of branches of any one bank are practically one clearing house with a settled tendency to accumulate actual cash beyond the mere necessities of the till, in the money centers. While retained in these centers, the cash, except to the extent of the reserves, will be employed in some manner so as to earn interest. Now, the extent of the reserves necessary on the one hand and the extent to which the surplus funds may be lent on the other is a matter of experience in both systems, but the experience is very different, indeed. If we take as examples a bank in a reserve city with one hundred banks as correspondents, and a single bank in another country with one hundred branches, we can readily see the difference. In times of strain the one hundred branch managers do not ask for cash from the head office unless it is actually needed; on the contrary, the moment contraction of loan begins they are a source of strength to the head office. The credit affected and the thing to be managed is one organism. Within this organism fear of each other by its component parts will not enter, and whatever courage its executive possesses will actuate every part of the organism. But in the other case there are a hundred organisms and cohesion, except that, the skies being bright, all will cohere somewhat, not with each other, but with the one bank in the reserve city. And if the skies are overcast we have a hundred utterly selfish organisms all concluding that their balance with the bank in the reserve city would be better in their own vaults; in any event they would sleep better if it were there. And so we have the extraordinary spectacle which accompanies every panic in the United States of each particular one of the thousands of banks trying to stand alone, except to the extent that the clearing house certificates have made them cohere. Almost every bank wishes to withdraw its balance with other banks, and as this is an absolute impossibility, the panic reaches its crisis, currency payments are suspended, all currency is hoarded and passes to a really large premium, and the ingenious expedients to which we have referred, whether legal or not, are made use of with that general concurrence by the people and the banks which only exists in the face of a great national danger. The great national danger is that the panic may cause national ruin. But what is a panic? A widespread fear without cause. In most countries financial panic is caused by fear on the part of those who are not a part of the national finance—who are not bankers and such. But in the United States, whoever may start a panic, those who accentuate it most are the thousands of individual banks by their distrust of each other. We speak indignantly about the private individual who draws his deposit in currency and hoards it. But in time of panic the most active agency in drawing out currency and hoarding it, is the country bank. And it is not the fear of the failure of banks, but the fear of the disappearance of currency, which aggravates panics, and brings about dis-

*William A. Nash: "Clearing House Certificates and the Need for a Central Bank,"—*Annals Am. Acad. and Soc. Science*, March, 1908.

aster and terrible reductions in values. To sum it up, it would appear that the same elements which in the United States cause panics of the most ruinous character would not be apt to cause panic at all in better regulated countries. In such other countries, firstly, the reserved cash would be instantly available; secondly, the banks would not be likely to fear one another, but would cohere in meeting any panicky feeling on the part of the public; thirdly, the power of re-discounting or of issuing clearing house certificates would need to be used to but small degree if only the demands of the public had to be met and not the demands of thousands of individual banks; fourthly, with these things assured and a reasonable flexible currency, no stoppage of currency payments would be likely to arise.

THE TREASURY SYSTEM.

Flexibility in the use of cash reserves, in obtaining re-discounts, in distributing Treasury balances, and in the issue of bank currency, still seem the main features to be discussed. I have little to add to what was said years ago regarding the Treasury. Then it needed some courage to say it, but now even a Comptroller of the Treasury, writing early in 1908, does not hesitate to sum up the whole evil in the following frank statement.* "But look at the situation. The United States Government has collected from its people \$245,000,000 surplus, above its necessary expenditures, and in order to restore this money to circulation and repair the damage done to business by its withdrawal, has had to deposit \$222,000,000 with the national banks; and when the supply of Government Bonds gave out, has had to accept various other bonds as security." And in the same connection he says of Secretaries Gage, Shaw and Cortelyou, that "they are all entitled to the highest praise and commendation for what they have done to make the best of bad situations, with antiquated, complicated and cumbersome facilities, often little better than mere make-shifts." But why not face the fact that the present Treasury system was created because of the destruction of the system of large banks in favor of the system of small banks, and would never have existed otherwise? Under the present system there is no one bank and no one series of banks to whom the United States people, as they are represented by the Federal Government, can entrust their balances without very complicated arrangements, including the deposit of security. Whatever may be the remedy, in the meantime we must add the Treasury system to that list of abnormal features which this country has to bear because of its thousands of individual banks.

BANK NOTE ISSUES.

The fourth main element in banking in which flexibility is necessary is bank-note issues. This has become a hackneyed subject during the last fifteen years or more, but indeed it has never been long out of the arena of discussion regarding banking in this country since early colonial days. The currency, as we have said, is a complicated mystery, and for that reason it has a strong hold upon the imagination of the average man. But in addressing an audience of bankers it might be well to avoid the broader definition of money, and to try and separate the credit instruments usually issued by banks and passing as money, from metallic money, paper money representing metallic money, and paper money based on the debt of a government. The species and quantities of money current in the United States on August 1 were approximately as follows:

Gold Coin and Bullion	\$811,541,020
Silver Dollars	79,303,982
Subsidiary Silver	147,005,385
Gold Certificates	818,758,869
Silver Certificates	484,054,000
United States Notes	346,681,010
Treasury Notes of 1890	4,903,000
National Bank Notes	692,088,991

\$3,384,336,263

The figures given above do not include an equivalent amount of gold coin and bullion, and silver dollars held in the U. S. Treasury as a redemption fund for the gold and silver certificates outstanding.—(Taken from The Commercial and Financial Chronicle, New York.)

*Wm. Barrett Ridgley: "An Elastic Credit Currency as a Preventative of Panics."—Annals Am. Acad. Pol. and Soc. Science, March, 1908.

From this is apparent that in the United States there is no currency of the kind usually known as bank-note issues, the notes issued by national banks and guaranteed by the Government being a species of money based on the debt of a Government. There were bank-note issues before the war, and as we know, they were retired for arbitrary reasons connected with the finances of the Government, and not for the purpose of improving the system of banking. We also know that while the national bank notes which took their place possess good qualities not possessed by the old State bank issues, they also carry with them the grave defect of rigidity which accompanies nearly all Government note issues. Under the new "Currency Association Law," permitting an emergency circulation, bank issues are to be permitted, but under restrictions which practically amount to an admission that the issuing of credit notes is too dangerous a franchise to be granted to a bank under ordinary circumstances. Indeed, the whole machinery for these emergency issues is so difficult that the Act may quite fail in its purpose. In Canada at about the same time we also passed an Act permitting an emergency circulation. Our Act contains 967 words, while that part of your Act which deals with emergency circulation contains 3,730 words. This is not a very reliable manner in which to compare the respective value of two Acts of legislation. But in this case it may be said that the difference in words fairly represents the difference in ease with which the additional franchise of an emergency circulation may be given to a few large banks with branches as compared with thousands of individual banks.

Returning to the ordinary currency, we find that with the exception of the gold coin and paper money directly based on gold coin, all of the vast remainder is currency created for some reason not concerned with the benefit of the business of banking, or, what should be the same thing, of trade generally. We see fiat money rendered necessary by the war but not since funded or redeemed; depreciated silver, or its paper representative, kept at gold equivalent by the good credit of the United States, a sort of half metallic—half fiat money; and bank issues, so-called, which are merely indirect evidences of Government debt. Now, if these species of currency provide all that is necessary in the interest of trade, no one, in the interest of the banks alone, has the right to complain. But it is possible that under modern credit conditions the peculiar functions which in most countries are performed by the credit notes of a bank should be performed by a mass of currency which if not constant in volume is so nearly so, that its non-use at once represents to any holder except the Treasury the loss of so much interest? Let us consider, once more, the functions of the credit notes of a bank. There are still people who imagine that a natural and quite desirable condition would be one where whenever money is given as the purchase price of a commodity that money should either be gold, or a silver equivalent, or that if paper is used the paper should be actually represented by an equivalent amount of gold or silver practically earmarked for the purpose. As we know, there is not sufficient coin in the world to make this even remotely possible. As we also know, the trade of this country is rendered possible only by cheques, drafts, clearing houses, paper money of the various kinds we have referred to, and various other substitutes for money which in the main merely shift the credits and debits between different individuals and institutions. We shall never return to the simpler conditions of the use of money which closely followed barter, and I presume we do not wish to. But if we do not this nation must manage somehow to achieve its large volume of trading, done so largely by credit instruments, in such manner as to avoid panics and such violent changes in prices as cause widespread ruin. Let us be frank with one another and admit that you have been quite unable to do this. You have achieved the huge volume of trade; you have achieved the necessary transportation—most difficult of problems usually; but you apparently cannot manage the shifting of

credits without panic. You constantly fall short of currency, and the fear of this accentuates the difficulty so much that sometimes those who have the power to do so lock all the currency up and leave the country without the necessary financial machinery with which to carry on business.

There are countries in the Old World where the fluctuations in the volume of trade and in the price of commodities and securities from one year to another, and from one part of the year to another, are not so violent as to require much elasticity in the currency. But in the United States, where the volume of trade and the price of commodities and securities vary largely from one period of contraction through a period of expansion to the next period of contraction, and from one year to another, and from one part of a year to another, and from day to day, these should be in addition to the constantly varying total of cheques, drafts and such credit instruments, with which most of our trade is done, a species of credit note issuable by banks which can be varied in total quantity in proportion as the total quantity of trade done with such instruments of credit varies. And there is the additional reason for such a credit note that whenever, because of panic or any form of distrust, the ordinary currency is hoarded or additional cash is being held by banks as reserves, some legal credit currency becomes more than ever necessary. No one at this late day will advocate the issue of such credit currency unless it is perfectly safe. I know the history of paper money in the United States from colonial times down to date well enough to know that in suggesting credit paper money the long and dismal history of disastrous experiment in this country comes up as a sort of bogey. I was engaged in business early enough to remember the last of the State bank issues which in the case of solvent banks passed at a discount if geographically distant, and at a larger discount if the bank laws of the particular State in which the note was issued were supposed to favor loose habits or undue risk in banking. But it is to the last degree unfair to judge any of the recent suggestions for an asset currency by antebellum experiences. A currency issued to the extent of the paid-up capital or less, as you have generally proposed; secured as your National bank notes now are, by a first lien on the assets of the bank, including the double liability but not by anything specially deposited or earmarked; further secured by an insurance fund; and bearing a fair rate of interest if not paid by the liquidator immediately after suspension, is perfectly safe in any country where daily redemption can and will surely be effected. The whole difficulty in carrying out such a plan in this country lies in the fact that you have become used to a system which requires practically no redemption, and with so many thousands of banks you do not quite know how, or you are not quite willing to take the trouble to establish the complicated machinery necessary to effect such daily redemption.

That the issues proposed are credit notes, while National bank notes are not, and that they must be subjected to actual daily redemption, while National bank notes need not, should never be lost sight of for a moment. One of the greatest elements of safety in such issues lies in the fact that having performed the credit service required they will immediately come back for redemption. But some of you will ask how with thousands of banks can you prevent a bank in Kansas arranging with a bank in Oregon to circulate each other's notes, so that the volume kept out would be increased by the geographical distance on the one hand, while the difficulty and expense of returning for redemption would be made unbearable on the other? Clearly by organization you could prevent this, but it is rendered so troublesome by the many thousands of banks that you doubtless will not do so. But again it seems that the obstacle to flexibility in your currency also lies in your thousands of individual banks.

CENTRAL BANK.

There are practically only two directions in which those who desire reform are looking for aid. These may be summarized as follows:

(a) Plans differing in detail, but looking to the creation of a credit-note system of bank currency based upon the assets, somewhat similar to that in use in Canada, although much more restricted in the extent of the powers or franchise to be granted.

(b) Plans differing in detail, but looking to the creation of one central bank, which alone is to have the franchise of issuing credit notes.

In the most comprehensive form which I have seen, the proposal to form a central bank sets out the following features:*

1. A capital of say \$100,000,000 to be invested in Government Bonds.

2. The shareholders to be National banks, and possibly, also, State banks.

3. To issue its notes, say for \$300,000,000, in exchange for gold provided by the banks who become shareholders.

4. To be authorized to issue additional notes up to say \$600,000,000, provided a gold reserve of at least 33 1-3 per cent. of the whole issue is maintained.

5. The central bank to use its powers of lending merely by re-discounting for or lending to the other banks of the country.

6. The shareholders to be represented by a board of directors elected by territorial districts.

7. The Government also to be represented in the directorate by officers of the Treasury Department.

Among the merits claimed for such a central bank are the following:

(a) It would remove the nuisance of the Treasury, and cause the balances of the Federal Government to be available as lending capital when necessary.

(b) It would not, like the two banks of the United States, be a rival to other banks, because the latter would be shareholders. This, however, would require that every bank created hereafter should have the same right to proportionate shares as those taking shares at the inception.

(c) It would probably prevent such a lack of currency at any one time as to cause panic.

(d) It would to some extent create that necessary cohesion among banks in time of trouble which is now almost absent.

(e) It would steady credit so much as to set the pace of confidence among the smaller banks.

(f) It is alleged that because of the territorial directorate, and notwithstanding the presence of Government officials on the board, there would be no reason to fear that politics might control the working of the bank.

Among the defects of such a system which have been or might be urged are the following:

(a) The possible customers of the central bank would consist of eight or ten thousand banks, who would also be the shareholders. It would be necessary to satisfy these customers that the favors of the central bank were distributed fairly, and especially fairly as to geographical sections of the country. This would make it necessary for the central bank to know the credit status of each bank and of each customer of each bank, or at least of those customers whose paper might be offered for re-discount or who might require a loan. It is quite true that the number of banks out of the eight or ten thousand requiring re-discounts or loans might be very small relatively, but that does not alter the quantity of knowledge necessary, as it would be impossible to tell in advance who might at any moment apply for such accommodation. And if for the soundest reason a re-discount or loan were refused, discontent would be apt to result. No central bank elsewhere in the world is called upon to perform such a task, and I fear it is impossible of satisfactory performance.

(b) It would also be absolutely necessary to keep the customers permanently convinced that no political influence could be used to favor one customer as compared with another, or one district as compared with another. Now, it

*Hon. George E. Roberts: "The Need of a Central Bank."—*Annals Am. Acad. Pol. and Soc. Science*, March, 1908.

might be quite possible to keep political influence out of the management of the bank, although surely no one can feel certain as to this, but can we believe that in a country where party strife is so keen, the customers of the bank and the people will remain continuously convinced of this fact?

(c) An argument against such a central bank, which perhaps will appeal more strongly to a Canadian than to an American banker, is that as the central bank may not have any customers except banks, it can do nothing to change the state of affairs now existing because of which a large borrower may have either to keep a discount account with a great number of banks, or to sell his paper to sometimes as many as fifty or sixty banks, or even more, through the medium of a note broker. This clumsy manner of borrowing not only prevents that close intimacy between a sound borrower and his banker which, lasting over a series of years, tends so much to create firmly cemented credit relations, but it undeniably has often caused perfectly solvent American merchants or manufacturers to fail—a thing which in other countries would be regarded as reflecting on the banks of such countries.

(d) Another argument which would appeal to Canadian banks and to all other bankers engaged in financing the export and import business of the United States, is that the central bank, having no customers except the banks of the United States, could do little to build up the foreign exchange business, which is still done mainly by bankers other than the National and State banks. Now that you own the Philippines and the Hawaiian Islands, now that your foreign trade is increasing so rapidly and, should your tariff be lowered, will increase much more on the import side, surely the need of great banks in the United States capable of establishing large banking connections with other countries, and capable of doing a large international business themselves, is obvious.

(e) When all this is said, however, there is little doubt but that a central bank, if wisely administered, would be an improvement upon the present conditions, but if the temper of your people will permit such a departure from your present system, there are surely better plans for the permanent reform of your banking. A recent writer, who is strongly opposed to centralization of power as opposed to "States rights," puts his main objection to a central bank in the following significant words: "In my judgment our currency, like our other evils, is to be remedied by greater freedom and greater distribution of choice and discretion, rather than by a greater centralization or unequal distribution of power. It is a fair question to ask, therefore, whether conceding, as I do, that there is not sufficient elasticity of the currency, I can suggest no remedy, but would prefer present evils to those resulting from the creation of too centralized a power; and the answer, to my mind, is obvious. The true remedy must be found, not in placing our independence upon the discretion of any one, but of every one—that is, again, upon liberty, rather than upon power and restraint." Without regard to whether this is in the abstract a wise view, or not, I think we must admit that it is distinctly the American view, and those who have carefully read the history of early American banking will recognize that each attempt to depart from it has aroused most passionate opposition.

So far as my own opinion is concerned, I do not find that it has changed materially since I had the honor of addressing the New York State Bankers' Association in 1895. I felt doubtful then as to the probability of the necessary reform being acceptable to the existing bankers, and I am not much more hopeful now. But if the people are willing to create a central bank, with the monopoly of banking which would be involved, they should be much more willing to create a series of large banks which could perform every good feature of centralized banking, and still preserve that chief safeguard of the people in industrial matters, viz., competition. And even if the people and the bankers are

not willing, I need not, I suppose, on that account hesitate to state what I happen to regard as a more reasonable solution than can be found in any other direction.

In order that reform may be permanent and effective the new species of bank should be able to create:

(1) A sound credit currency with effective daily redemption.

(2) A distribution of capital available for lending, so that it shall not be idle and congested in one locality and scarce or non-existent and proportionately dear in another.

(3) A condition where the gold and other cash reserves of the country may be made more effective and doubtless be minimized in quantity.

(4) Where in time of trouble the capital of the country may be mobile and capable of being centralized when necessary.

(5) Where there may be banks capable of doing the entire lending business of your merchants and manufacturers, except where these are unusually large, when they could be divided by arrangement between two or three banks.

(6) Where a great international banking business may be created and you may do justice to your over-sea possessions, to the great ports of export and import, to your mercantile marine, and to your position among the great nations of the earth.

This state of things can, I think, only be brought about by your permitting the creation of banks in the United States similar to the banks of other countries. As I have tried to show, the mere creation of one central bank will not change the defective character of the eight or ten thousand other banks. The suggestion I ventured to make in 1895*, and which I give below unaltered, was based upon the National Banking System and the ten per cent. tax on State bank issues being allowed to remain as they are, and the new powers to be added to those enjoyed by a National bank or to be enjoyed by banks under State or Federal charters as indicated below:

"Any banks with a paid-up capital of \$1,000,000 or over, to be allowed to issue notes, say to the extent of 75 per cent. of the paid-up capital, secured only by being a prior lien on the assets of the bank, including the double liability of stockholders, and by an insurance fund of say five per cent., and to be free from the ten per cent. tax. Such banks to be allowed to establish branches within the State in which the head office is situated. If the franchise is granted by a State the Federal Government to approve of the regulations securing the note issues, and to hold the insurance fund. I do not enter upon the question of what the minimum paid-up capital should be in the case of banks desiring to avail bank issues but not to open branches. I hope, however, it might be practicable to make it as high as \$500,000.

"Any bank with a capital of say \$5,000,000 or over, to have the same privileges as to note issues and to be allowed to establish branches throughout the United States, limited, if though necessary, to cities of national and local importance. Such a franchise would, I suppose, be granted by the Federal Government. In view of all that has happened since the war, I presume it would not be too great a stretch of Federal power to grant such a franchise."

In the light of later experience I should think that banks having power to establish branches throughout the whole of the United States and its over-sea possessions should have a larger minimum capital than \$5,000,000. This, of course, proposes asset currency, and I am aware of the arguments which have been made against it. But no effective argument has been made other than the difficulty of applying it to thousands of relatively small banks, and effecting that daily redemption which is indispensable. That it can safely be applied to all individual banks with a capital of \$500,000 and over, and to all banks with branches with a capital of \$1,000,000 and over, I have no doubt whatever. That it is extremely desirable in this country if it can be made safe, I am quite certain.

*George H. Earle, Jr.: "A Central Bank as a Menace to Liberty."—*Annals Am. Acad. Pol. and Soc. Science*, March, 1908.

*B. E. Walker. Address New York State Bankers' Association, 1895.

But quite as important as the asset currency, to my mind, is the branch system. If you make your laws so that it is merely permissive, surely the branch system will not come into being in an important degree unless it is right in principle. If it is right in principle, should the particular interests of ten thousand or more individual banks stand in the way of a great public good?

How ever frank I may have been I have not dared to

strike such a high note of criticism as many of your own bankers, remembering that I am a foreigner, but if what I have said offends I beg you to forgive, and to believe that I have no ends to serve, and have spoken out of a full heart that which to me seems to be the thing I hope we are all seeking—the truth.

I thank you most heartily for your patience in listening to my rather lengthy paper.

Conservation of Natural Resources.

BY HON. JOSEPH E. RANDELL, Member of Congress from Louisiana, Member of the National Conservation Commission, and President of the National Rivers and Harbors Congress.

It seems most appropriate that this convention of the men who hold the purse strings of the nation should be interested in a discussion of the conservation of our natural resources, for all wealth is derived from resources given to man by the God of nature. Almost any other gathering of business men would be considering some one of Nature's gifts—as, for instance, forestry, mining, agriculture, reclamation by irrigation, drainage, or levees, transportation by highway, rail, or water—but bankers are interested both directly and indirectly in every resource which contributes to the national wealth.

During the past twelve months the subject of conservation has been given tremendous impetus by a number of conventions of earnest business men assembled to discuss some particular form or branch of the subject, and more especially by the great conference of governors of all the States of the Union at the White House on May 13-15 of the present year, which was participated in by the most eminent statesmen, jurists, scientists, and leaders in our country. This was the first convention of governors ever held in the White House, with the President as presiding officer, and because of that fact, of the high character of its delegates, of the importance of the subjects discussed, which strike at the very foundations of our prosperity, and the lofty statesmanship of its declaration of principles, it marked a notable era in our history.

This conference, which was called and presided over by Mr. Roosevelt, one of the most progressive and enlightened men who ever occupied the chair at Washington, considered in a very intelligent and interesting manner many problems of deepest import to our country, and the resolutions adopted by it embodied principles of the wisest and most advanced statesmanship. They declared, in part, their "firm conviction that the conservation of our natural resources is a subject of transcendent importance, which should engage unremittingly the attention of the nation, the States, and the people in earnest co-operation. These natural resources include the land on which we live and which yields our food; the living waters which fertilize the soil, supply power, and form great avenues of commerce; the forests which yield the materials for our homes, prevent erosion of the soil, and conserve the navigation and other uses of the streams; and the minerals which form the basis of our industrial life, and supply us with heat, light, and power." Each State was urged to appoint a commission on the conservation of natural resources to co-operate with each other and with any similar commission of the Federal Government and conviction was declared "that in the use of the national resources our independent States are interdependent and bound together by ties of mutual benefits, responsibilities, and duties."

Shortly after the close of this convention the President appointed a National Conservation Commission, of which Mr. Gifford Pinchot, Chief Forester, and leading spirit in the White House conference, is president; and a number of governors have appointed State conservation commissions.

In the brief space of a single address it is impossible to give more than a faint idea of this great subject, and I can only make a few suggestions which I hope will call to your

attention the vast importance of the topic and induce you to make a close study of it.

We usually speak of the soil as "Mother Earth," and indeed it is our beneficent mother, by whom nearly all of our wants and necessities are provided, and from whom flows by odds the greatest percentage of our wealth. We can consume and destroy all the minerals which underlie earth's surface—and no human power can replace them—for when coal, iron, silver, gas, oil, or any other mineral is once exhausted, it is gone forever, at least, so far as our world is concerned; when the forests are cut down or swept away by fires or the hurricane's fierce blast, it takes many long years to replace them; but the living waters are ever with us, and the earth never grows old, never becomes exhausted if properly treated, ever growing younger as age upon age rolls on and the nations of to-day are swept into the forgotten past.

Why has there been such agitation on this subject of conservation, and what objects are to be effected thereby? I shall endeavor to answer this question somewhat in detail. A careful study of agriculture in the advanced countries of the Old World, such as Great Britain, Belgium, Holland, Germany, France, and Japan, shows that the soil produces in those countries fully twice as much to the acre in many instances as it does in the United States, and that while the lands in these old countries seem constantly growing better, our lands, which were so productive a few years ago, are becoming less so all the while. Mr. James J. Hill at the White House conference gave some startling facts about our agriculture. Quoting Professor Carver of Harvard, he says that "Agriculture as an independent industry, able in itself to support a community, does not exist in the hilly parts of New England." He further adds that land values in Ohio shrank \$60,000,000 between 1880 and 1900, and the same relative shrinkage exists in New York and other parts of the Union; that single cropping, failure to fertilize, and a general lack of intelligence in farming have reduced agriculture in our country to a very low ebb—lower in fact than any other important country with the exception of Russia; that our system "reduces agriculture to the condition of a bank whose depositors are steadily drawing out more than they put in"; that the average yield of wheat for the whole United States, for the decade beginning in 1896, was only 13.5 bushels per acre; while during the same period Austria and Hungary each produced over 17 bushels, France 19.8, Germany 27.6, and the United Kingdom 32.2 bushels per acre; and that Belgium, the Netherlands, and Denmark have each had an average yield of more than 30 bushels per acre for the past five years. What is true as to wheat is relatively true as to all farm products.

Now, it seems to me that we surely should get as large returns from our virgin soil as do our foreign brethren from their lands which have been cultivated for over a thousand years. Even under our present bad methods the farm products of the United States in 1907 had a value of \$7,412,000,000. If we pursued the advanced agriculture of Europe, and thereby made our lands produce twice as much as at present, they would pay us \$15,000,000,000 a year, which

would give the truly enormous addition of \$7,500,000,000 to our national wealth every year.

Moreover, I understand that of the 45,000,000 people of Japan 30,000,000 are farmers, and the whole population is supported by a cultivated area of about 19,000 square miles, aided by food products from the sea. Every foot of soil is utilized and every farmer is a specialist. If the same intensive method of farming practiced in Japan were applied to my own State, Louisiana, whose 49,000 square miles of area are all arable lands of the greatest fertility, it could be made to support all the people that now inhabit the whole United States, provided they lived on the simple but wholesome diet of the Japanese, and in addition the 30,000,000 farmers of Japan mentioned above.

We are citizens of the iron age, the most glorious and progressive age of all the world's history, and our great republic is now making nearly one-half of the iron product of the whole world. We boast vaingloriously of this fact; we build a high wall of protection around us which practically forbids our people access to the ore supplies and manufactured products of other countries; we do everything in our power to increase our exports; and yet geologists tell us that the wonderful iron ore beds of the Lake Superior region will be exhausted within forty years, and the national supply be almost gone by the close of this century. What is true of iron applies also to its kindred mineral—coal. Both of them are essential to our daily existence and comfort.

We are consuming coal with great rapidity and wastefulness. Only about five per cent. of its potential energy is utilized in most of our furnaces, the other ninety-five per cent. going up in smoke, etc. And in the process of its mining we lose nearly fifty per cent.

The coal supply is estimated to last about two hundred years, and what our descendants will use for its substitute none of us can say. Perhaps they can harness the waves, or the tides, or the winds, and thereby generate electricity. We know they can create enormous electric power by proper control of the various rivers and streams which permeate every part of our continent. Perhaps some method may be devised to concentrate and utilize the inexhaustible heat of the sun—a method possibly on the principle of the Portuguese priest's heliophore exhibited at the World's Fair, St. Louis, which generated 6,000 degrees Fahrenheit, in which any metal would evaporate instantly. Undoubtedly some substitute for iron and coal will be found when in the course of time they have disappeared from our continent, and yet as prudent men and father of succeeding generations we have no right to destroy heedlessly these articles so essential to our comfort, and it is our duty to conserve them in every way.

Next in importance to agriculture in connection with the soil resources is forestry, and some authorities go so far as to say that it is even more important than agriculture, for they claim that without forests to regulate rainfall and water supply the soil will lose its fertility and become an arid waste. One writer cites the cases of Mesopotamia, Assyria and Palestine, where once magnificent forests abounded, in which Solomon's 80,000 workmen spent twenty years cutting and fashioning the cedars of Lebanon to make the wonderful temple of Jerusalem, and which are now almost treeless; and he says that the land which flowed with milk and honey is now barren and poor; and that the site of famed Babylon, with its hanging gardens and everything beautiful in nature and art, is almost a desert. Whether this idea be exactly correct or not, there is undoubtedly a most intimate connection between forests and agriculture, and forests are the parents, so to speak, of rivers. Without forests, with their leafy covering to shield the earth from the sun's scorching rays and their humid mold to soften the ground and permit the falling rains to percolate freely through it, there cannot be a continuous, steady supply of water for rivers, which without forests will be either raging torrents or dry beds.

As an independent source of wealth disconnected from their influence on soil fertility and water supply for agriculture and for rivers, forests are of incalculable im-

portance and stand fourth in the list of great industries in the United States: Food and kindred products coming first, with an annual value of \$2,845,234,900; textiles, second, with an annual value \$2,147,441,418; iron and steel and their products, third, with an annual value of \$2,176,739,726; and lumber, fourth, with an annual value of \$1,223,730,396. Surely any industry which exceeds one and one-quarter billion dollars a year is well worthy of being perpetuated forever, and yet our timber supply is more than half exhausted, and at the present it will all be gone at the end of forty years. I know of no subject more worthy of careful study and intelligent legislation than that of forestry. I consider forest preservation absolutely essential to national prosperity; indeed, I believe our very existence as a nation depends upon the intelligent preservation of our forests. France and Germany have for some years been practicing intelligent forestry, and we cannot do better than to emulate their wise example. The Japanese, who are perhaps the shrewdest people on the globe, in spite of the very limited area of their country, reserve 59 per cent. of the land in forests, the greater portion of which is under government control.

In my judgment, the Federal Government should extend and increase its forest reserves wherever practicable, especially where the States and localities directly affected are anxious to cooperate, as in the proposed White Mountain and Appalachian reserves; and each State should pass laws to perpetuate and preserve its forests. Statutes can be framed which will have the desired effect and promote the public welfare without unduly interfering with the rights to private property.

On March 10, 1908, the Supreme Court of Maine rendered an opinion on the right of its Legislature to restrict the cutting of trees on private lands for the prevention of droughts and floods, the preservation of the natural water supply, the prevention of the erosion of such lands with their consequent filling up of rivers, ponds and lakes. And it assigned two reasons why the right of the public to control and limit the use of private property is peculiarly applicable to property in land: "First, such property is not the result of productive labor, but is derived solely from the State itself, the original owner; second, the amount of land being incapable of increase, if the owners of large tracts can waste them at will without State restriction, the State and its people may be helplessly impoverished and one great purpose of government defeated. . . . We do not think the proposed legislation would operate to 'take' private property within the inhibition of the Constitution. While it might restrict the owner of wild and uncultivated lands in his use of them, might delay his taking some of the product, might delay his anticipated profits and even thereby might cause him some loss of profit, it would nevertheless leave him his lands, their product and increase, untouched, and without diminution of title, estate, or quantity. He would still have large measure of control and large opportunity to realize values. He might suffer delay but not deprivation. . . . The proposed legislation . . . would be within the legislative power and would not operate as taking of private property for which compensation must be made."

And the principles involved in this opinion were practically affirmed by the Supreme Court of the United States on April 6, 1908, in a case that went from up New Jersey, Mr. Justice Holmes being the organ of the Court.

The United States is one of the best watered countries in the world, and if properly utilized for reclamation, power and navigation our waters would prove a source of nearly as much wealth as our lands. The Federal Government is beginning to reclaim by irrigation the arid regions of the West on what I believe to be a wise, comprehensive plan which is sure to produce magnificent results and redeem a large domain from the desert. Moreover, private and corporate effort is also accomplishing great things in this line. I heartily commend these efforts—national and local—in behalf of irrigation, and earnestly hope they may be emulated in other branches of the conservation movement.

Close akin to reclamation by irrigation is drainage. One reclaims land by putting water on it, the other by taking it off; and just as there are vast areas of arid lands in need of water, so there are large tracts of swamp land with too much water. As much of the arid land belongs to the Federal Government, a workable plan was adopted by which the nation is spending large sums in irrigation, but as the swamps are nearly all the property of States or individuals, no general system for their reclamation has yet been devised. It is worthy of the best effort of our State and national lawmakers.

The possibilities of our streams for power purposes are enormous. No accurate statistics are available, but it is estimated that the water-power in the United States exceeds thirty million horse-power, and if this amount of power were generated in the average steam engine plant, it would consume 650,000,000 tons of coal, worth about two billion dollars, or fifty per cent. in excess of the total production of coal in 1906. Only about three million horse-power, one-tenth of the latent force, is now being developed by water, but the rapid growth of electricity in recent years increases the demand very greatly for water-power, and unless care and wise foresight be exercised this most valuable national asset—worth at least a billion dollars a year—now lying dormant in our flowing streams, will be seized upon by corporate interests, will yield little or no revenue to the States or the nation, and the power will be sold to the people at monopolistic prices. Some immensely valuable franchises for water-power have been granted by Congress free of charge under the erroneous impression that they were without commercial value; but I hope and believe that a different policy will prevail hereafter.

The most valuable use of water after it becomes a river, lake or ocean is for transportation. Cheap transportation is the most important economic question in the business world, and that nation which solves it best and quickest is sure to win in the race for commercial supremacy. The United States easily leads the earth in railroads, but in development of natural and artificial watercourses which furnish the cheapest of all known methods of transportation, we are far behind Holland, Belgium, Germany and France. These four countries of the Old World are thoroughly alive in the value of their waters as freight carriers. They have canalized all their rivers and connected them by transverse canals at enormous expense, so that freight can be moved from one part to every other part of the country in boat or barge without breaking bulk. Paris, the metropolis of France, is connected with Antwerp, the great seaport of Belgium, by seven waterway routes; and Berlin, an interior city, is joined to every part of Germany by a perfect network of canals and rivers. It must be remembered also that the railroads are owned by the State in Germany and Belgium, and thoroughly regulated in France, so that no unfair rail competition with waterways is allowed—a statement which cannot be truthfully made about our railroads.

While this condition exists abroad our policy of water improvement has been unbusinesslike in the extreme. Insufficient sums have been appropriated to complete projects; and great works, such as those on the Harlem and Ohio Rivers, are apparently as far from completion as when the work began on them over thirty years ago. No definite plan for the improvement of all the nation's waterways has ever been adopted, but work has begun and progressed in a most unsatisfactory way on certain rivers and harbors, without any attempt at a complete system of standard depths and connecting channels for all, as is so well carried out by our commercial rivals in Europe. Moreover, appropriations have been entirely inadequate, and very large sums are needed at once for pressing projects. The expense of our navy for the past five years was something over five hundred millions, and for waterways during our nation's life about five hundred and fifty millions—nearly as much in five years for warships to protect our commerce as we have spent in a hundred and eighteen years to furnish that commerce cheap transportation to the sea.

Moreover, it is the bounden duty of the national govern-

ment to improve its navigable waters, as the sovereignty over them for all purposes of navigation rests in it rather than in the States, and it alone has power and control over them.

Waterways from the earliest days were the best means of transportation till the advent and development of railroads about eighty years ago, and they are still the cheapest of all known methods. Nearly 60,000,000 tons of freight were carried through the locks on the St. Marys River, connecting Lakes Huron and Superior, last year at a freight charge of about .54 of 1 mill per ton per mile, which is about one-ninth of the average railroad rate for the entire Union of 7.48 mills per ton per mile, and water rates on the Ohio and lower Mississippi are about the same as on the Great Lakes. Had the total commerce of the Lakes last year, amounting to about 80,000,000 tons, been carried by rail at the average railroad rate the charges thereon would have exceeded by over \$300,000,000 the amounts actually paid for freight. Hence, the improvements on the Lakes, which cost about \$70,000,000, saved last year to the American people more than four times as much as their total cost, and they will continue to save as much and more annually for all time to come.

While actual statistics are not obtainable for all our waterways, I am convinced that water transportation costs only about one-sixth as much as the average cost by rail.

And in many cases, delivery by water is much quicker for heavy, bulky, low-class commodities. Railroad freight cars moved in 1906 an average of only 25 miles in twenty-four hours, and I believe an elaborate study would show that boats moved at least 100 miles in the same time.

Railroads are very limited in capacity, and there was fierce congestion on them not many months ago. On well-improved waters, such as Long Island Sound, the Great Lakes and the Hudson, and lower Mississippi, there is practically no limit to the volume of business that may be carried thereon and no danger of congestion.

Railroads are monopolistic corporations, owned, operated and controlled for private gain. Competition over any given line is impossible, because the roadbed belongs to the corporation. Waterways are free roadbeds, for the use and enjoyment of all the people. Conditions for competitions are perfect on them, and they can never be monopolized. No rate commission is needed to fix freight rates on improved watercourses.

Most of the great annual expenditures of our government are like rain falling on the parched sands of the desert, only to disappear and leave no trace behind. But waterway improvements are investments which will last forever.

The eight millions expended in giving a 35-foot channel to Boston Harbor cheapens ocean rates fully 50 per cent. to the grain grower of the West and the cotton producer of the South. The annual saving in freight rates largely exceeds the cost of the project, and it will remain a lasting benefit to hundreds of generations of Americans for thousands of years after the "Dreadnaughts" of to-day have decayed into their original elements and been forgotten.

No country on earth is better supplied by nature with waterways than ours, and though they have been sadly neglected in the past, I pray, in the words of Washington, uttered with prophetic wisdom one hundred and twenty years ago, "Would to God we may have the wisdom to improve them."

A complete change in our present methods of appropriations and expenditures is necessary. We must adopt a broad, liberal, comprehensive waterway policy, which will give sufficient sums to properly improve within the next ten years every watercourse in the nation, together with connecting channels between them, which is justified by present or prospective needs of commerce, and must make such changes of administration in the method of expending these sums as will bring about speedier and better results.

In conclusion, my banker friends, permit me to advise each and every one of you to study conservation—in its broad sense the most important subject before the American people, and worthy the highest consideration of our brightest minds. If too busy to investigate the whole field—minerals,

forests, lands and waters—take up one of them and acquaint yourselves with it thoroughly. Its connection with the others will appear, and you will find the study of deep interest. When you go home preach the gospel of conservation, and make your friends and neighbors understand its importance and practice its teachings. Become active leaders in creating a wise, general sentiment in favor of preserving and using in a sane way the great natural resources which a kind Providence has bestowed so plentifully upon

our favored country. You can exercise much weight in molding this sentiment, for the banker is a man of power whose position throws him in contact with all kinds and classes of men and gives him great influence. I charge you with the responsibility in this matter entailed by your honorable calling. I give into your keeping the care of these precious resources, and shall expect the same faithful stewardship, which as good bankers, you bestow upon your own investments.

The Guaranty of Bank Deposits.

BY FESTUS J. WADE, President Mercantile Trust Co. of St. Louis.

In the discussion of any economic subject, the important thing to be borne in mind is, "What are we trying to prove?"

In any legislation affecting the interests of our citizens it is important that the aim of legislation be borne in mind all of the time.

What is the object of legislation? Is it to safeguard the interests of any one class of citizens as opposed to the interests of any other class? The object of banking legislation is to make banking safe; to safeguard the interests of depositor and stockholder. These interests are not opposed to each other, they are identical. Any measure which attacks the interest of the stockholder impairs the security of the depositor.

Any measure which makes banking safer, any measure which makes bank failures less frequent and less disastrous, any measure which compels the banker to conduct his institution along "safe and sane" lines, conforms to the object of legislation and safeguards the interests of stockholder and depositor.

It is deplorable that a financial theory which affects the interests and calling of every member of this organization, and those we represent, should be made an issue between the political parties in this campaign.

Whatever we, as individuals, think about the guaranty of bank deposits, we must feel that it is unfortunate to have the question dragged into politics.

One State, the newest in the Republic, is experimenting with taxation or assessment to guarantee bank deposits. The question of the legality or constitutionality of this principle is now in the courts. On the banks in existence prior to the enactment of that legislative act Oklahoma levies an assessment of 1 per cent on banks' daily average deposits (less deposit of State funds properly secured) for the preceding year, for the purpose of creating a depositors' guaranty fund. (The State makes no guaranty.) It provides that newly incorporated banks shall pay into the depositors' guaranty fund 3 per cent of the capital stock when such new banks open for business. It further provides, whenever any bank becomes insolvent, that the Bank Commissioner shall take charge of its affairs, and that depositors of such banks shall be paid in full, and when the available money of the bank, or the money that can be made available, is insufficient to discharge the obligation to depositors in full, the depositors' guaranty fund is to be drawn upon to discharge the obligations to the depositors. If the guaranty fund is reduced, by drafts upon it, to less than 1 per cent of the total deposits of all the banks of the State, then a levy of a special assessment is made to cover the deficiency. This assessment is levied upon the capital stock of the banks, according to the amount of their respective deposits, and such assessment is due and payable immediately when made. You will note that this levy or tax is called an assessment. In my judgment, it is clearly unconstitutional and, in terming it an assessment, it is attempted to do indirectly that which cannot be done directly under the Constitution of Oklahoma, or under the Constitution of the United States.

The word "assessment" is undoubtedly used to disguise the fact that it is really a tax. The power to tax is subject to the limitation that a tax must be levied for public purposes only, and an imposition in the form of a tax for private interest is void and unconstitutional.

The property of banking institutions belongs primarily to their stockholders, subject, however, to the payment of their debts.

Every assessment or tax levied upon and required to be paid by banking institutions, to pay the deposits of a defunct institution, is, therefore, an appropriation of a part of the property of the stockholders of solvent banks for private purposes. In the case of the Oklahoma Banking Act, however, the assessment required to be levied upon the banking institutions for the creation of a depositors' guaranty fund is not levied for any public purpose, but is levied for the purpose of securing to private individuals who are so unfortunate as to have their money deposited in insolvent banks a payment of the debt of the bank to them. The assessment, therefore, takes the money of the stockholders of the solvent banking institutions to pay the debts of insolvent corporations to their depositors. It is unjust in that it attempts to favor the creditors of banking institutions by special legislative protection over the creditors of other sorts of business corporations.

It is unjust in that it takes the private property of the stockholders of solvent banks to pay the deposit creditors of insolvent banks. This is not taking private property for public use. It is the taking of the private property of one class of citizens for the private benefit of another class of citizens, and is therefore indefensible upon any theory of just governmental principles.

The fifth amendment to the Constitution of the United States provides that private property shall not be taken for public use without just compensation, and it has been held by all the courts, both Federal and State, that there is an implied limitation upon the power of the State in relation to the appropriation of private property and an absolute prohibition of the taking of private property for private use.

But leaving to the courts and the lawyers the question of legality, you and I can consider the economic phases of the subject, confident that we know what we are talking about.

Is it practicable?

Would it be equitable?

How would it affect our stockholders?

How would it in fact protect depositors?

Would it prevent panics?

It is attempted to make a horizontal rate of taxation on all banks—good, bad, indifferent. How long do you suppose a life, fire, casualty or fidelity insurance company would remain solvent if the life insurance company made the same rate on the life of each individual, irrespective of age or state of health; the fire insurance company the same rate on buildings whether frame, brick or fire-proof in towns and cities with and without protection against fire; the casualty company the same rate on a man walking

on the street as on a man working in a powder factory; or the fidelity insurance company the same rate for a bond of the dishonest or inexperienced man as it would charge for the honest, experienced and capable man?

Conservatism, experience, judgment, education in the various financial problems, would count for naught. A man, or set of men, invading the banking field to-morrow would be placed upon the same plane as the sages in the financial world.

Every successful financial institution receives its stimulus, its deposits, its profits, from the wise and careful management of its officers and directors. The capital invested in the institutions and the judgment of its officers and directors are the surest safeguards to protect its depositors. There are over 16,000 banking institutions in this country. No other line of trade or commerce shows such a small ratio of loss as the banking fraternity.

It is suggested that the fear of insolvent institutions will be eliminated by the inauguration of this latest financial heresy. Let us examine this in a homely way. Suppose a bank in a remote part of Oklahoma carried its reserve in a bank in Guthrie, and Dame Rumor suggests to the officers of the bank in the remote town that the bank in Guthrie, where the reserve is carried, is tottering and will likely close within a week. What will the banker with his reserve deposited in the Guthrie institution do? Will he wait until the doors are closed and then wait until he receives his reserve from the guaranty fund? Will he not immediately proceed to remove his funds from the institution of which he is suspicious and place them where he is confident of security?

Suppose you had on deposit \$1,000, being all the wealth you possessed, and fear entered your heart as to the solvency of that institution; would you wait for the guaranty fund, or would you withdraw your deposit?

The guaranty of deposits, as exacted by the United States government in the deposit of its funds, is held up as an example why all deposits should be guaranteed. I maintain now, and have always maintained, that the government should deposit its funds the same as a citizen, and should not exact security from banks over which it has direct supervision and control. It should not take securities purchased with its assets and turn same over to the treasury to protect the depositors of the government, and thus diminish the security of the other depositors.

Every depositor has the same right as the government to ask security. The banker can decline or accept the deposit, as it may suit him.

However you may legislate, the secret has never yet been discovered whereby you can create personal honor or ability by legislation; and the theory that the guaranty of bank deposits will avoid disaster, dishonesty or breach of confidence, is a fallacy.

Irresponsibility would be promoted by the adoption of the bank guaranty deposit idea, because under this latest heresy all deposits would be theoretically "guaranteed." According to this fallacy, knowledge of past history and experience would be entirely unnecessary. Any set of men, irrespective of character, ability or financial experience, could form a banking institution in one form or another; put a sign on the door, as they do in Oklahoma—"All deposits guaranteed by the State"—sell their certificates paying five and six per cent., and compete with their neighbor who had weathered financial storms, and who would, by the operation of this chimerical scheme, be required to pay the depositors of dishonest, inexperienced, ignorant or disreputable bankers.

No legislation can absolutely stop speculation or avert recurring periods of depression. The law of average, as the law of nature, is immutable. Times of inflation will occur; depression necessarily follows.

The money, real cash, of the country should always be deposited in the banks. Deposits are created in a large measure by the thrift of the people and the commerce of the country. Without depositors, banks would be useless; likewise without borrowers, bankers could not exist. The

bank guaranty idea compels each bank to become indorser for every other bank, but fails to ask each borrower to indorse the paper of every other borrower. Would it not be foolish to ask every borrower to guarantee all of your bills receivable? Is it not equally foolish to ask the banks to guarantee or indorse the debts or deposits of every other bank?

What has been the action of the national banker of Oklahoma on the guaranty proposition? Ten months have elapsed since the law went into effect, and although the National banks were given the alternative of losing the State deposits or continuing with the national system, be it said to their credit, business judgment and sound principles, only six out of a total of 307 National banks have become State banks. State banks were obliged to enter into the guaranty scheme or retire from business because of the passage of the law by the Legislature; hence they were "forced" to join the faith-cure theory of banking.

How does the State fare under the new scheme? It places the funds of the State directly in politics. On the theory that each bank is as good as its neighbor in the State banking system, the party in power will distribute its favors where it sees fit, and you may depend upon it, the banker who is not "affiliated," no matter how wise or solid his bank may be, will receive very little of the deposit.

Deposits in Oklahoma banks, by the latest report of the Comptroller of the Currency, were \$58,037,515. Of this amount \$36,820,989 was in National banks, which as National banks are prohibited from jeopardizing their assets by becoming guarantors of the other banking institutions; leaving \$21,216,526 in State banks, subject to the operation of the assessment.

The capital, surplus and undivided profits of the State banks of Oklahoma amount to \$5,536,967.

There are four banks in Oklahoma whose deposits aggregate more than \$5,000,000. Consider for a moment the ruin that would have been created in Oklahoma, if all banks were guarantors for each other, should these four banks have closed their doors during the panic of 1907.

Being the largest banks, suppose they were the depositaries of this guaranty fund. Their doors were closed; their money invested in loans and securities. The remaining banks of the State would be called upon to pay \$5,000,000 cash to reimburse the depositors of these institutions. Where would they have gotten the money (not credits, but cash) in November and December, 1907? Take it out of their vaults? If so, what would become of the cash reserve of the institutions assessed to pay the depositors during that critical period? \$5,000,000 cash would be nearly 9 per cent. of the total deposits of all the banking institutions in Oklahoma during those months. If they had been suddenly called upon (as the law of Oklahoma is supposed to require them to do) to pay \$5,000,000 in cash into the institutions assumed to be failed, it would have taken practically every dollar in cash out of every banking institution in the State of Oklahoma in November and December last year. What would become of the other banks with their \$53,000,000 deposits? Who would pay those deposits? What good would their guaranty be if their reserves were all gone? For an answer, the advocate of the policy will tell you the money withdrawn from these banks would be deposited with some other institution. Is this true? Is that the history of banking in a great crisis such as we have gone through? Did not a great many bankers in Oklahoma decline to pay depositors in cash during the panic of 1907? If the \$5,000,000 had been paid out in cash during November and December, 1907, would not the greatest portion of it have gone into safe deposit boxes and stockings, owing to the panicky feeling of the public, particularly so when nearly all the banks of the State had ceased cash payments?

Quixotic is the idea that the mere advertisement of the State or governmental guaranty or deposits theory will make philanthropists of misers or public-spirited citizens out of those who in times of success as well as in times of distress hoard and hide their money. The man who has acquired the habit of hiding the proceeds of his labor will

never care about the theoretical guaranty by any Government or State, but will continue to hoard his cash in the future as he has in the past.

"Recklessly encouraged," should be the title of the bank guaranty idea, because it encourages those who have no experience, judgment, wisdom or financial education, to enter the banking field, and they will do in many instances what is now being done in Oklahoma—offer 5 per cent or 6 per cent. for deposits on time certificates, with the bait that their bank is guaranteed by the State.

What financial confidence would you have in a wholesale dry goods firm's paper if you knew that firm stood as indorser or guarantor for every retail dry goods man in the country?

There are States and cities where depositors have not lost a dollar in five, ten, twenty years, in the past quarter of a century. The national banks of the United States handled thousands of billions of dollars in the last quarter of a century with a loss of less than one-quarter of 1 per cent. for the entire period. Why discredit the enviable reputation of the financial institutions of this country? What other nation with any financial power ever attempted such a foolhardy proposition?

Under the operation of the law, the solvency of every State bank subject to that law, in time of distress, would be questioned. Why? Because it would not only be called upon to show the solvency of its own institution, but to guarantee the deposits of every other institution in the State, hence the contingent liability of each bank would be greater a thousandfold than its total assets.

You may be under the delusion that Oklahoma, as a State, proposes guaranteed deposits. The State of Oklahoma guarantees no depositor a dollar. It proposes to collect a tax from the careful, thoughtful, experienced banker to pay the debts of the careless, ignorant, dishonest banker in case the bank fails. It does not guarantee that the tax fund may not be deposited in an institution that will close its doors.

Everyone knows that there is now, and always has been, a guaranty for all bank deposits in a practical, business-like form.

The total deposits of the banking institutions of the United States aggregate more than \$13,300,000,000, divided as follows:

State Banks	\$3,000,000,000
Trust Companies	2,100,000,000
Savings Banks	3,700,000,000
National Banks	4,500,000,000

The present guaranty of that vast amount of deposit is as follows: Capital, surplus and undivided profits of—

State Banks	\$760,000,000
Trust Companies	1,070,000,000
National Banks	1,670,000,000

\$3,500,000,000

plus the double liability of all stockholders of all National banks. Thus it will be seen that depositors' money in National and State banks and trust companies, aggregating a total of \$13,300,000,000, is guaranteed by a capital, surplus and undivided profits of these institutions aggregating \$3,500,000,000 plus every dollar of the depositors' money loaned out by careful, experienced, honest bankers.

If this guaranty of bank deposits became general, why do we want \$3,500,000,000 as capital, surplus and undivided profits? Under the proposed theory, a bank with a capital of \$50,000 would be as good as one with \$1,000,000 capital, \$2,000,000 surplus and \$500,000 undivided profits. Why have any surplus to weather the storm? We all guarantee one another. Why pay small dividends to our stockholders and build up large surplus and undivided profits?

How utterly absurd, how silly, this attempt to foist on this nation such a weak, unsound, socialistic doctrine!

The most ardent advocate of the bank guaranty heresy admits that the loss to depositors in over forty years the national banking system has been in existence is less than two-twenty-fifths of 1 per cent. on total deposits. What other line of trade or commerce can make such a showing of safety? What can be more socialistic in its tendency, more paternal in its purposes, than this wild and illogical scheme of bank deposit guaranty?

Statistics show there are over 8,500,000 depositors in savings banks of the United States. Of this number, there are more than 5,000,000 in the New England and Eastern States and Pennsylvania. Have these 5,000,000 people arisen in their supremacy and demanded the bank guaranty?

What organization or set of men comprising economic societies, labor unions, agricultural associations, manufacturing or commercial organizations, have demanded, suggested or approved of this latest financial fallacy? Is it not a fact that not one organization of the character above outlined has ever put its official stamp of approval on this bank guaranty deposit idea? Should we as bankers in convention assembled sit idly by, or should we condemn this measure? I say it is our duty to our depositors, our stockholders, our country, as citizens, to condemn it in the strongest terms.

**THE FOURTH NATIONAL
BANK OF THE CITY OF
NEW YORK OFFERS TO DE-
POSITORS EVERY FACILITY
WHICH THEIR BALANCES,
BUSINESS AND RESPONSIBILITY WARRANT.**

Committee Reports—Banking Section.

Annual Report of the Secretary, Fred E. Farnsworth.

NEW YORK, September 1, 1908.

To The American Bankers' Association:

It is not without considerable satisfaction that I submit herewith my first annual report. Notwithstanding the strenuous times which overtook the banking interests of the country last October, the Association has had an unusually prosperous year. We have retained our membership and show a healthy growth.

I will not attempt to enlarge on the work of the Sections and the Committees, nor occupy your time in going into details, for you will have full reports from these adjuncts of our Association, suffice it to say that this has been for them an unusually active year. The Trust Company, Savings Bank, and Clearing House Sections have accomplished a great deal along their various lines.

EXECUTIVE COUNCIL.

The report of Chairman Pierson covers, very fully, much of the work accomplished by this office under direction and with the approval of the Executive Council.

CURRENCY COMMISSION.

You will have a report from the Currency Commission of our Association, of which I am secretary. I firmly believe that the Currency Commission and its two committees was a most important factor, through its educational work, in preventing the passage of the vicious Aldrich and Fowler bills as originally introduced; in fact, I think it is apparent that, had it not been for the work of the Currency Commission, one of these bills would have been passed by Congress.

STANDING PROTECTIVE COMMITTEE.

There is probably no other one department of the Association work which appeals to our membership to such an extent as the protective feature.

Of the 151 criminals arrested as appear in the report of the Protective Committee, 74 have been convicted and sentenced to specific terms amounting to 231 years and 7 months; 24 have been sentenced to indeterminate terms.

The Protective Committee has expended \$38,522.54 for the protection of 9,803 members, which amount is \$1,675.14 in excess of the expense of the Protective Committee of last year. Consideration should be taken, in connection with this increase of expense, of the fact that there has been an increase of 552 in membership, which, based on the retaining fee we pay the Pinkertons, will about offset this amount. The Committee has gone a little further this year in their efforts to prosecute criminals by making special investigations and endeavoring to apprehend and cause the arrest of amateurs whose records may classify them as dangerous criminals, as result of which additional expense has been incurred.

A large number of our State Associations have the protective feature and cooperate with the American Bankers' Association in their endeavor to apprehend criminals, and at times cases are pro-rated between us. The Committee desire to express to the State Associations their appreciation of the cooperation thus extended, and stand ready to be of service to the various States when it is possible so to do.

Full report of the Protective Committee will be made in regular order to the convention, but I think it is due our Protective Committee to say that they have been earnest in their work, and have given such attention to details as has been required of them.

COMMITTEES.

All of our Committees, and there are now eleven of them, have held frequent sessions, have been working harmoniously in the interests of the Association, and the results are very apparent.

STATE ASSOCIATION CONVENTIONS.

It has seemed to me that it was within the province of your Secretary, and extremely desirable, for him to attend as many conventions, as possible of the State associations. I attended several of them, but not as many as I should like to have, owing to my duties in the office, which have been perhaps a little more strenuous this year than may be in the future. As a representative of the American Bankers' Association I have been very warmly received by the State bodies and I am sure that these visits have resulted in good both to the Association as well as the State organizations.

AMERICAN INSTITUTE OF BANKING.

The Institute is one of our most valuable adjuncts—now with some 9,000 members and 45 chapters, and its work carried along as originally laid out by the Educational Committee of this Association. The Institute is composed of a body of live, energetic, progressive young men, who are a credit to this As-

sociation, and are bound to become the bankers of the future, and the Institute fitting them for such a career. I was present at their convention at Providence, which was most successful in every particular.

ORGANIZATION OF SECRETARIES.

The Organization of Secretaries of State Bankers' Associations was organized in 1902. While it is not a part of the American Bankers' Association, its work is closely allied to us; and its success and the success of the State Associations, and increase in membership go hand in hand with the growth of the American Bankers' Association. When the secretaries organized there were not to exceed six or eight progressive Associations in the country. There are now twenty-five or thirty associations which can be considered first-class and up to date in methods, work and membership. I have been Secretary of this body since its inception, and believe that these two Associations cannot be too closely identified for the good of both.

ASSOCIATION OFFICES.

For the thorough handling and expediting the business of this office, with our large memberships, committee work and correspondence—early in my administration I began systematically to install modern business devices, with the result that we now have an addressograph with 25,000 names of member and non-member banks; a multigraph on which we have produced 100,000 letters; modern filing devices for our correspondence, vouchers and files, code receipts, and membership blanks. I have also introduced a system of office vouchers, and in every way possible have endeavored to bring the office up to the standard of a first-class business concern. For the convenience and comfort of visiting bankers the offices have been rearranged and refurnished, giving us a library and reading room, wherein can be found all of the financial papers and journals of the country. The working offices have been divided up for the convenience of the working force, as well as the secretary and assistant secretary. That this innovation was desirable is attested by the fact that a large number of visiting bankers have called and made use of the offices and reading room.

CIPHER CODE.

The Cipher Code authorized by the Advisory Committee and approved by the Council; after correspondence and consultation with many of our members was prepared by the Business Code Company (who are experienced in this line) and was sent out September 1. It is very comprehensive and much more complete than the former code, and has been received with much satisfaction by our members.

ROUTINE WORK.

During the fiscal year just ended about 600,000 special letters, circular letters, pamphlets, and codes have been issued from the secretary's office.

MEMBERSHIP BY STATES.

[To August 31, 1908, Inclusive.]

Alabama	123	New Jersey	221
Alaska	10	New Mexico	36
Arizona	41	New York	829
Arkansas	121	North Carolina	122
California	353	North Dakota	171
Colorado	134	Ohio	438
Connecticut	141	Oklahoma	204
Delaware	28	Oregon	116
District of Columbia	29	Pennsylvania	786
Florida	109	Rhode Island	38
Georgia	253	South Carolina	168
Idaho	76	South Dakota	142
Illinois	654	Tennessee	103
Indiana	315	Texas	259
Iowa	344	Utah	36
Kansas	322	Vermont	57
Kentucky	136	Virginia	163
Louisiana	135	West Virginia	122
Maine	75	Washington	167
Maryland	147	Wisconsin	274
Massachusetts	234	Wyoming	43
Michigan	337	Canada	5
Minnesota	321	Cuba	4
Mississippi	126	Hawaiian Islands	8
Missouri	341	Mexico	13
Montana	110	Porto Rico	1
Nebraska	250	West Indies	1
Nevada	34		
New Hampshire	46	Total	9,803

Six hundred and ninety-one (691) members were erased from the roll through failure, liquidation, consolidation, and withdrawal. This brought the membership September 1, 1907, to eighty-five hundred and sixty (8,560).

Twelve hundred and forty-three (1,243) members have joined

the Association since that date. Notwithstanding the fact that a large proportion of the dues payable for the fiscal year ending August 31, 1908, were collected during the panic period, we now have a total paid membership of ninety-eight hundred and three (9,803), being a net gain over last year of five hundred and fifty-two (552). The gross gain is within fifty-nine (59) of last year's. The aggregate capital, surplus and deposits of our membership amounts to \$13,582,982,102.

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

	Paid membership.	Annual dues.
Sept. 1, 1875	1,000	\$ 11,000.00
Sept. 1, 1885	1,395	10,940.00
Sept. 1, 1895	1,570	12,975.00
Aug. 31, 1905	7,677	127,750.00
Aug. 31, 1906	8,383	137,600.00
Aug. 31, 1907	9,251	150,795.00
Aug. 31, 1908	9,803	160,600.00
Interest on bonds		4,650.00
Interest on bank balances		1,115.94
Making the total income		\$166,305.94

APPRECIATION.

In closing this my first annual report to you as your Secretary, it is my desire to express my sincere thanks to the officers, committees and members of the Association for their uniform courtesy and loyal support, and particularly to Chairman Pierson who is resourceful, energetic and progressive, with the interests of the Association at heart, and who has always responded to my calls for consultation and advice.

I want to particularly emphasize the work of the Executive Council, the Vice-Presidents of the various States and Secretaries of the State Associations. We have called on these officers frequently during the year to aid us in our work, and especially in our efforts to increase our membership. In this respect we have received loyal support, as is evidenced by the material increase in membership which is shown by the figures just reported to you.

The large amount of extra work during the past year along certain lines, in extending our usefulness to our members and in educational work, has required an additional clerical force. It is due to Assistant Secretary Fitzwillson and my force to say that they have willingly contributed to the success of the administration in faithful services, and to them I desire to express my thanks.

PROSPECTIVE.

I predict for the future of the Association increased membership, unqualified success, and with it hearty support from the new administration, the enlarged Council, State Vice-Presidents, State organizations and committees.

All of which is respectfully submitted.

Fred. E. Farnsworth,
Secretary.

Report of the Treasurer, A. A. Crane, New York, N. Y.

Financial Statement for Fiscal Year Ending Aug. 31st, 1908.

1907	To Cash—
Sept. 1.—	
Standing Protective Committee	\$39,025.10
Advisory Committee	790.67
American Institute of Banking	7,970.18
Committee on Bills of Lading	3,731.96
Committee on Credit Information	330.12
Committee on Express Companies and Money Orders	2,706.32
Committee on Uniform Laws	324.50
Clearing House Section	774.45
Currency Commission	7,427.67
Standing Law Committee	1,074.93
Savings Bank Section	4,617.57
Trust Company Section	5,208.21
Cipher Code	600.00
Journal	739.53
Account Executive Council meeting of 1907	80.00
Executive Council meeting of 1908	4,852.64
Proceedings of 1907, and distribution	10,249.01
\$30,000 New York City Registered Corporate Stock, 3½% of 1940	25,506.67
Metal signs	500.00
Dues returned to two members	40.00
Refund account of excess dues by members	45.00
Salaries	21,592.05
Petty cash	200.00
Sundry Expenses	880.18
Telephone and Telegraph	204.18
Convention of 1907	5,545.30
Traveling expenses of officers on official business	1,028.20
Auditors	50.00
Printing and Stationery	3,247.70
Postage	2,037.38
Stick pins for Convention of 1907	902.05
Furniture and Fixtures	2,557.68
Premium on officers bonds	51.25
Special office help	331.00
14 K. gold buttons for members of Executive Council	316.00
Rent	3,941.67
Balance, August 31, 1908	1,923.20
	\$162,513.27

Sept. 1st, 1908, by balance cash, \$1,923.20.

1907	By Cash—
Sept. 1.—	
By cash balance	\$5,771.54
" interest on bank balances	1,115.94
" interest on bonds	4,125.00
" sale inserts and signs	9.75
" dues from 234 old members to 1909	3,430.00
" dues from 325 new members to 1909	3,955.00
" sale of proceedings	15.00
" sale of 2 trust company forms	24.00
" sale of 3 copies Trust Company Section Proceedings 1896-1903	9.00
" refund account badges for Savings Bank Section	6.00
" refund account Standing Protective Committee from various cases	502.56
" sale of stamped envelopes to Trust Company Section	118.32
" refund account sundry items by J. R. Branch	7.49
" sale of old office appliances and furniture	8.00
" proceeds from telephone messages	2.75
" proceeds from delinquent registrations at convention of 1907	20.00
" dues from 8,024 old members to 1908	134,297.50
" dues from 922 members to 1908	9,095.42
	\$162,513.27

Sept. 1st, 1908, By Balance cash, \$1,923.20.

In addition to the above balance, the Secretary sent to the Treasurer for collection, Sept. 1, 1908, 9,119 drafts account of membership dues, unpaid for fiscal year ending August 31, 1909, amounting to \$151,040.

Also, the Treasurer holds for investment the following:

\$10,000 Government 4 per cent. bonds of 1925.

\$30,000 Atchison 4 per cent. bonds of 1995.

\$50,000 C. B. & Q., Ill. Division, 4 per cent. bonds.

\$30,000 New York City Registered Corporate stock 3½ per cent., due 1940.

An inventory of the furniture and fixtures of the Association shows about \$5,000 in value. This is not carried as an asset, but was charged off when purchased.

A. A. Crane,
Treasurer.

Report of Standing Protective Committee.

New York, September 1, 1908.

To the Executive Council of the American Bankers' Association,
Gentlemen: the detailed financial report of the Standing Protective Committee for the fiscal year ending August 31, 1908, is as follows:

RECEIPTS.

Sept. 1, 1907, By Balance	\$4,842.37
Sept. 27, 1907, By Appropriation of Executive Council	15,000.00
May 5, 1908, By Appropriation of Executive Council	21,000.00
Aug. 31, 1908, By Refunds Account of Special Cases to date	502.56
	\$41,344.93

DISBURSEMENTS.

Pinkerton's National Detective Agency Services per contract for one half fee due Nov. 1, 1907—8,376 members at \$1.50	\$12,564.00
Services one-half fee due May 1, 1908—9,297 members at \$1.50	13,945.50
Account Special Cases	12,281.47
	\$38,790.97
One-half expenses incurred by Texas Bankers' Association re Samuel Robinson case	234.13
	\$39,025.10

August 31, 1908—Credit Balance

The following data will show you the result of the Committee's work during the year just ended:

RECORD OF CRIMINALS, ARRESTED, CONVICTED, SENTENCED, AWAITING TRIAL, BANK BURGLARIES, ETC.

Burglars—Special: Cases not disposed of, arrested prior to September 1st, 2; arrested since September 1st, 13; convicted and sentenced, 7; specific terms, 4; indeterminate terms, 3; total years 45-3; released, 3; died, 3; awaiting trial, 2.

Burglars—General: Cases not disposed of, arrested prior to September 1st, 1; arrested since September 1st, 21; convicted and sentenced, 7; specific terms, 7; total years, 62-4; released, 3; escaped, 4; died, 3; awaiting trial, 5.

Forgers—Special: Cases not disposed of, arrested prior to September 1st, 9; arrested since September 1st, 39; convicted and sentenced, 29; specific terms, 22; indeterminate terms, 7; total years, 82; released, 7; escaped, 2; died, 1; awaiting trial, 0.

Forgers—General: Cases not disposed of, arrested prior to September 1st, 6; arrested since September 1st, 47; convicted and sentenced, 30; specific terms, 16; indeterminate terms, 14; total years, 37; released, 3; awaiting trial, 20.

Hold-ups—Special: Arrested since September 1st, 4; awaiting trial, 4.

Hold-ups—General: Arrested since September 1st, 7; convicted and sentenced, 1; specific terms, 1; total years, 5; released, 1; awaiting trial, 5.

Sneak thieves—General: Arrested since September 1st, 2; awaiting trial, 2.

Total cases not disposed of, arrested prior to Sept. 1st.. 18
Total arrested since September 1st.....133

151
Convicted and sentenced..... 74
Released, escaped and died..... 30 104
Awaiting trial 47

The total period of imprisonment for the criminals that have been convicted amounts to 231 years and 7 months. This does not include 24 indeterminate terms.

The membership of the Association has increased 552 since our last report, and we are pleased to state that there have been fewer crimes in proportion perpetrated against members than for any year since the inauguration of the Protective feature.

We refer you to report of the Pinkerton Detective Agency for additional details.

Notwithstanding the fact that your Committee has had a larger membership to deal with than in any previous year they have only expended \$1,675.14 more than the expense involved in carrying on the work last year. By the increased membership the retaining fee of the Pinkertons is an extra expense, and, moreover, the Protective Committee, while endeavoring to confine its operations against professional criminals, do, in their judgment a case would warrant it, endeavor to apprehend and cause the arrest of an amateur whose record may classify him as a dangerous criminals, and therefore, part of the increased expense is due to this new feature of their work. Heretofore the work of previous committees has been confined entirely to professional criminals.

It sometimes happens that members are dissatisfied because the Detective Agents are not authorized to do special work on cases which do not come within the rules of your Committee. The Committee regrets this very much, but believe you will appreciate the fact that they are compelled to have rules to govern their work. They give careful consideration to every case submitted and decide each case on its merits.

We respectfully call your attention to the rules under which the Protective Committee works as follows:

1. "Upon receipt of notification by the Protective Committee, Hanover Bank Building, New York, N. Y., of an attempted or successful perpetration of fraud upon a member of the association, either by forgery, check-raising, robbery or safe-breaking, which appears to be the work of professional criminals, accompanied by a full account of the offense, and, if possible, a description of the operators, the Committee will, if the case comes within the category of those of which the Association can take cognizance, at once undertake the apprehension of the criminals by means of detectives and such other means as they may consider warranted. A case once committed to the Association, which results in the apprehension of the criminals, cannot be taken out of its hands, nor the offense condoned or compromised."

2. "The Association cannot take cognizance of petty larcenies or thefts by employees.

"The Protective Committee can spend no money, undertake no detective work, employ no lawyers and pay no fees of any kind in cases of local swindles, or frauds or confidence tricks. The vigilance, alertness and energy of the officers of the banks must be relied upon in such cases."

3. "The Association cannot be held responsible for any expense incurred for protective work which has not been previously authorized by the Protective Committee."

The Committee calls your attention to the law:

"BURGLARY WITH EXPLOSIVES—A person who, with intent to commit burglary, breaks and enters, in the night time, a building, and commits a burglary by the use of nitro-glycerine, dynamite, gun-powder, or any other high explosive, is guilty of burglary with explosives."

"BURGLARY WITH EXPLOSIVES—HOW PUNISHED—Burglary with explosives is punishable by imprisonment in State Prison for not less than 25 years and not more than 40 years."

This law has been enacted, with some modifications, by Colorado, Kansas, Maryland, Michigan, Missouri and Nebraska. We recommend that the convention of this Association adopt resolutions urging the passage of this law by other States, and the appointment of a committee to give the matter their attention.

During the past year there has not been a bank burglary committed in Maryland or Nebraska, and we are of the opinion that this law will do much towards decreasing bank burglaries.

During the last year there were 72 attacks against non-members on account of successful and unsuccessful burglaries, as against 17 members. Loss from non-members was \$127,945.23, against \$1,959.26 by members, making a difference of \$125,985.97.

The Hold-up Robberies upon non-members were 9, with a loss of \$22,739.99, against an attack upon one member, with a loss of \$2,287.46, a difference of \$20,452.53.

During the year there were no robberies on members by professional sneak thieves.

Your Committee have examined, reported and acted on over 16,000 letters and reports in connection with their work.

Respectfully submitted,

Standing Protective Committee.

Financial Statements of Various Committees.

AMERICAN INSTITUTE OF BANKING.

New York, September 1, 1908.
From September 1, 1907, to August 31, 1908.

RECEIPTS.

Sept. 1, 1907, By Credit Balance..... \$ 5,567.60
Sept. 27, 1907, By Appropriation by Executive Council.... 10,000.00
\$15,567.60

DISBURSEMENTS.

Printing, postage and stationery.....\$ 7,150.07
Expenses of Detroit Convention..... 200.00
Meeting of Board of Trustees at Atlantic City... 320.11
Preliminary expenses for convention of Associated Chapters at Providence..... 300.00 7,970.18

Aug. 31, 1908, By Credit Balance..... \$7,597.42

CURRENCY COMMISSION.

New York, September 1, 1908.
From September 1, 1907, to August 31, 1908.

RECEIPTS.

Sept. 1, 1907, By Credit Balance..... \$ 2,797.78
Sept. 27, 1907, By Appropriation by Executive Council.... 10,000.00
\$12,797.78

DISBURSEMENTS.

Printing and stationery.....\$ 2,370.46
Postage 1,248.61
Sundry Expenses, stenographic services, reports, etc 1,349.24
Traveling Expenses 2,265.50
Telegraph and Telephone..... 193.86 7,427.67

Aug. 31, 1908, By Credit Balance..... \$5,370.09

TRUST COMPANY SECTION.

New York, September 1, 1908.
From September 1, 1907, to August 31, 1908.

RECEIPTS.

Sept. 1, 1907, By Credit Balance..... \$1,607.09
Sept. 27, 1907, By Appropriation by Executive Council.... 3,000.00
May 5, 1908, By Appropriation by Executive Council..... 1,500.00
Aug. 31, 1908, By Receipts..... 33.00
\$6,140.09

DISBURSEMENTS.

Salaries\$ 2,467.64
Clerical force, Chairman Executive Committee... 250.00
Printing and Stationery..... 136.13
Postage 172.00
Petty Cash 30.00
Sundry Expenses 95.26
Furniture and Fixtures..... 172.38
Rent 550.00
Proceedings 981.05
Expenses of Convention..... 333.75 5,208.21

Aug. 31, By Credit Balance..... \$931.88

SAVINGS BANK SECTION.

New York, September 1, 1908.
From September 1, 1907, to August 31, 1908.

RECEIPTS.

Sept. 1, 1907, By Credit Balance..... \$ 532.30
Sept. 27, 1907, By Appropriation by Executive Council.... 3,000.00
May 5, 1908, By Appropriation by Executive Council..... 1,500.00
Aug. 31, 1908, By Refund Account of Badges..... 6.00
\$5,358.30

DISBURSEMENTS.

Rent\$ 337.50
Salaries 1,818.00
Traveling Expenses 125.00
Printing and Stationery..... 271.32
Sundry Expenses 59.01
Postage 261.00
Furniture and Fixtures..... 25.18
Attorneys' Fees 100.00
Proceedings 927.34
Expenses of Convention..... 226.30
Committee on Auditing..... 37.00
Telegrams 35.78
Expenses Executive Committee Meeting, Lakewood, N. J., May 4, 1908..... 393.54 4,617.57

Aug. 31, 1908, By Credit Balance..... \$740.73

CLEARING HOUSE SECTION.

New York, September 1, 1908.
From September 1, 1907, to August 31, 1908.

RECEIPTS.

Sept. 1, 1907, By Credit Balance..... \$1,203.89
Sept. 27, 1907, By Appropriation by Executive Council.... 3,000.00
\$4,203.89

DISBURSEMENTS.

Salaries\$ 250.00
Rent 50.00
Printing and Stationery..... 230.50
Proceedings 149.75
Postage 50.00
Traveling Expenses 44.20 774.45

Aug. 31, 1908, By Credit Balance..... \$3,429.44

COMMITTEE ON BILLS OF LADING.

New York, September 1, 1908.
From September 1, 1907, to August 31, 1908.

RECEIPTS.

Sept. 1, 1907, By Credit Balance..... \$8,263.37

DISBURSEMENTS.

Printing and Stationery.....\$ 668.50
Attorneys' Fees 1,350.00
Traveling Expenses 1,090.02
Postage 21.46
Sundry Expenses, stenographic services, etc..... 601.98 3,731.96

Aug. 31, 1908, By Credit Balance..... \$4,531.41

COMMITTEE ON EXPRESS COMPANIES AND MONEY ORDERS.

New York, September 1, 1908.
From September 1, 1907, to August 31, 1908.

RECEIPTS.

Sept. 1, 1907, By Balance..... \$ 4,972.82
Sept. 27, 1907, By Appropriation by Executive Council.... 2,000.00
May 8, 1908, By Appropriation by Executive Council..... 10,000.00

\$10,972.82

DISBURSEMENTS.

Services of Mr. J. S. Miller.....\$ 1,000.00
Printing and Stationery..... 10.75
Postage 18.00
Traveling Expenses 1,006.12
Stenographer 54.75
Sundry Expenses 16.70 2,766.32

Aug. 31, 1908, By Credit Balance..... \$14,206.50

STANDING LAW COMMITTEE.

New York, September 1, 1908.
From September 1, 1907, to August 31, 1908.

RECEIPTS.

Sept. 1, 1907, By Balance..... \$ 637.28
Sept. 27, 1907, By Appropriation by Executive Council.... 2,500.00

\$3,137.28

DISBURSEMENTS.

Attorneys' Fees\$ 750.00
Printing and Stationery..... 389.25
Traveling Expenses 330.00
Postage 325.68
Salaries (stenographer) 180.00 1,974.93

Aug. 31, 1908, Credit Balance..... \$1,162.35

COMMITTEE ON UNIFORM LAWS.

New York, September 1, 1908.
From September 1, 1907, to August 31, 1908.

RECEIPTS.

Sept. 1, 1907, By Credit Balance..... \$388.44
May 5, 1908, By Appropriation by Executive Council..... 500.00

\$888.44

DISBURSEMENTS.

Revision of text of the Negotiable Instrument
Law\$ 25.00
Printing and Stationery..... 42.00
Traveling Expenses 257.50 324.50

Aug. 31, 1908, By Credit Balance..... \$563.94

COMMITTEE ON CREDIT INFORMATION.

New York, September 1, 1908.
From September 1, 1907, to August 31, 1908.

DISBURSEMENTS.

Traveling Expenses \$330.12

ADVISORY COMMITTEE.

New York, September 1, 1908.
From September 1, 1907, to August 31, 1908.

DISBURSEMENTS.

Traveling Expenses \$728.82
Sundry Expenses 61.85

\$790.67

Report of Currency Commission.

To the American Bankers' Association:

Gentlemen: The undersigned Currency Commission, which was, by a vote of the last annual convention, extended for another year, and directed to maintain its contest for currency reform, beg leave to report:

Your commission appeared before the Committee on Banking and Currency of the House of Representatives early in its session, in advocacy of the plan already approved by the convention, and in opposition to other schemes of legislation deemed unwise and inimical to the best interests of the country. We applied for a hearing before the Finance Committee of the Senate, but it was suggested that such hearing better be deferred until after the House had taken action. The crisis of last year was at its height at the period when Congress assembled, and resulting therefrom there were ninety-six different bills introduced in Congress amending the national banking law.

The commission was confronted with great labor, and bent its energies to fully digest the various pending measures so that it might point out the impracticable as well as the good features of each. The wisdom of sending to the banking fraternity the various documents distributed was amply evidenced by the popular demand for more. The officers and members of the Executive Council of your association have given to the commission cordial and effective support.

Credit currency, commended in your commission's first report, and approved by this association at its last convention, had further proof of its soundness in principle and efficiency in operation in these countries having such a currency, during the world-wide crisis of last fall. While maintaining open minds as to the wisest method of its incorporation into our own banking system, it is our belief that a currency based on this principle, so safe and efficient in the experience of other nations, will be found essential in our own system.

In the Aldrich-Vreeland measure, however open to severe criticism, Congress, by law, has recognized the normal and legitimate assets of a bank as the natural and proper basis of credit extended to the bank in the form of circulating notes. The principle for which we have so long contended has thus received legislative sanction. To this extent the labors of the American Bankers' Association have been crowned with success.

It was the conviction of the commission, based upon experience and the study of the history of periods following previous panics, that no financial panic could immediately follow the crisis of last fall, and that it was the part of wisdom to enact no makeshift legislation lest such an enactment for the purpose of supposed temporary relief should prove a serious stumbling block in the way of legislation for the comprehensive and fundamental correction of the grave defects of our banking and currency system.

Your commission strongly urged this view upon Congress, at the full hearing courteously granted by the Banking and Currency Committee. It was sought to impress upon Congress that, if not feasible to enact immediately such laws as would give us a thoroughly scientific banking and currency system, it would be wisest to defer all legislation upon the subject except for the appointment of an able committee, instructed to make thorough investigation and submit its recommendations to a subsequent Congress. Although this view was not adopted in full, the commission feels that its efforts were not in vain, inasmuch as the committee desired was appointed by Congress. The high standing and recognized ability of the members of this Congressional Committee, and the vigorous way in which it has entered upon this important work warrant the confident expectation that its report and recommendations will form the basis for such legislation as will give us a banking and currency system such as our vast commercial interests so urgently need, and such as will make this country the greatest financial power in the world. Your commission begs to urge that hearty co-operation be extended to this Congressional Committee, and that the American Bankers' Association earnestly continue to final success its efforts for currency and banking reform.

Respectfully submitted,

A. R. HEPBURN,
JAMES B. FORGAN,
MYRON T. HERRICK,
FESTUS J. WADE,
JOSEPH T. TALBERT,
CHARLES H. HUTTIG,
JOHN PERRIN,
LUTHER DRAKE,
SOLOMON WEXLER,

ROBERT WARDROP,
ARTHUR REYNOLDS,
E. F. SWINNEY,
JOSEPH A. MCCORD,
W. V. COX,
JOHN L. HAMILTON,
Commission.
FRED E. FARNSWORTH,
Secretary.

Report of Federal Legislative Committee.

To the American Bankers' Association:

Gentlemen: Your Federal Legislative Committee beg leave to report:

Owing to the culmination in the unsettled financial condition of the country last fall, resulting in a crisis of great magnitude, bringing out many new questions for consideration, the work of your committee during the past year required much careful thought and study. Indeed, more than during any preceding year. This is demonstrated particularly by the fact that in our National Congress more than one hundred bills affecting the banking interests were introduced, each member apparently vying with the other to produce some remedy to cure our financial ills.

Your committee made it their special duty to carefully examine each bill introduced and digest the subject matter; also to keep in close touch with the various committees to which they were referred, with the view of determining the action to be expected.

We kept ourselves in readiness at all times to promptly notify the membership of the association, should any measure seem to require special attention, by keeping on hand two sets of envelopes addressed to the members of the association, which could be promptly sent out.

We were in a position to assist other committees in any emergency, and endeavor to keep ourselves fully advised of their requirements.

Your committee since its appointment has followed with

much interest the movement which has been on for the establishment of postal savings banks, and has opposed the enactment of such legislation. No bill has been presented which would really prove beneficial to the country. On the contrary all have been burdened with measures sure to prove detrimental, not only to the banks, but the individual depositors, as well, by impairing the ability of the banks to adequately provide and care for, the very desirable feature and advantage of active banking accounts, curtailing the use of individual credit, and giving the dishonest a cloak by making such funds immune from all process of law, and particularly inviting the several withdrawals of large sums from commercial channels by making such deposits not subject to taxation, and such banks are proving a serious menace to the financial credit of the countries in which they are in use.

Your committee is opposed to the guaranteeing of deposits by either State or Federal governments, or the assuming of a trusteeship by either, of a guarantee fund, believing that it would be a function wholly outside of any purpose for which State or Federal governments were organized, and for the further fact that the assuming of a trusteeship would be misleading to the general public, as it is not a guarantee by either State or Federal government; and that such a law would work to the detriment, not only of the banks, but to the depositing public as well.

Such a law would tend to minimize the amount of the capital of the banks, rather than encourage the building up of a capital and surplus in keeping with the business demands of communities. It would give to the reckless banker the means of securing a larger amount of business than depositors would under ordinary conditions entrust to him, with a failure that must inevitably incur a greater amount of loss to the associated banks and indirectly to the public, than is now possible, and might lead to an organization of banks which would become a monopoly in banking.

Losses attend upon banking, ever have and ever will as long as human nature is selfish and human judgment fallible. Wise supervision and constant publicity have reduced such losses to a minimum. The loss to depositors of failed national banks, annually, during the forty-three years of their existence, equals only 1.20 of 1 per cent. of their aggregate deposits. Statistics from various States show that other classes of banks have maintained an equally strong position. Surely these facts present no crying need for mutual guarantee.

The contractual relation between a depositor and his bank is like any other business relation depending upon mutual agreement, involves the same ethics, and should be governed by the same laws. As to the individual depositors these contracts are essentially local; the character and moral responsibility of the official management are determined by a depositor from the same data and in the same manner that such depositor would determine the moral hazard in selling goods or otherwise extending credit. Is there any principle that differentiates a depositor from any other individual who has voluntarily entered into a creditor relation with a bank, and which entitles him alone to protection? If one class of bank creditors is to be insured against the usual mischance of business, why not all classes; and where is the justice of levying a depositors loss, for which he is not responsible, upon other banks, who also are not responsible for his loss and who have no voice whatever in the selection of where he shall keep his account?

Depositors of a bank are guaranteed primarily by the character of the assets in which the depositors' money is invested, margined and fortified by the bank's capital and surplus. If a bank's assets, that is to say its investments, are good, if its credits have been wisely and conservatively extended, depositors are amply protected and need no other guarantee. Why should not the bank's assets be guaranteed; why not guarantee payment to the banks of the receivables of their various clientele? This would guarantee deposits. Both propositions are alike logical and alike absurd.

Deposits in a bank are safe in just the proportion that its assets are good. We should discourage unwise extension of credit, rather than open the way for reckless banking, which would seem to be the inevitable result of the proposed schemes.

A guarantee is a contract, whereby a person voluntarily pays to other persons or a corporation, a fixed amount to secure indemnity against loss on account of the possible happening of specified events, within a fixed period of time; the amount paid is proportionate to the risk involved and is paid by the beneficiary under the contract of guarantee. The deposit guarantee propositions now before the public would compel all banks, by force of law, to pay unknown sums to unknown persons, for eventual losses for an unknown period of time, and subject to unknown risks, over which the parties compelled to pay have no control whatever. It would seem to be taking property without due compensation. The proposition is socialistic in the extreme and is paternalism run riot.

If bank depositors are to be protected, why should not all classes receive the same consideration? When this point is reached and this goal attained, how much does it lack of achieving the ideal of socialism? The shades of the great statesman, who declared "That country is governed best that is governed least" must be sadly perturbed by paternalistic tendencies.

With capital sufficient to margin its dealings with the public,

a bank should next select men of probity and established character for its management; with the lapse of time, the management establishes its efficiency as well as its honesty, and a discriminating public entrusts the bank with its business. The growing volume of deposits and of business establishes a goodwill, which is one of the principal elements of the value which bank stock possesses. The proposed guarantee plans would seriously impair the value, if not destroy the goodwill of the bank, by placing all banks exactly on a par with respect to financial responsibility. That is what the various plans seek to accomplish. Remember that while each bank guarantees the deposits of all, each bank assumes the risks and losses of all.

We are told that these plans will do away with panics. Are they not more likely to prove the mother of panics? A panic is business paralysis, born of unreasoning fear on the part of the public. In such conditions, will depositors refrain from withdrawing their funds? Will they not, rather, withdraw them at once because of the unknown danger resulting from each bank being compelled to guarantee the losses in 20,000 other banks? To those who have had the gruelling experience of several panics, there is but one answer to this question, and no law could be spread upon the statute books more fraught with mischief than a law for enforced guarantee of bank deposits.

Let Congress provide a means whereby perfectly solvent banks with good liquid assets can obtain currency with the same facility as banks in other great commercial nations, and they will have gone far toward the prevention of panics.

We do not believe it is possible to eliminate that heretofore essential judgment, which a discriminating public has been wont to use in the choice of a bank with which to do business, without taking from the business one of the most important features for its proper handling and regulation. It seems impossible for the time to come when honesty, integrity, ability, and the general moral and business reputation of the banker in this country will not be considered; yet we believe the guarantee of deposits makes these features absolutely unnecessary, and places the level of banking on a lower plane than heretofore.

A mutual guarantee does not make all banks individually strong. The most and the best that can be claimed for it is that it will bring the weak ones up, so far as safety of depositors is concerned, while at the same time bringing the strong ones down. Average mediocrity would be the result; but would the impairment of our system stop with mediocrity? It takes conservatism in the interest of profligacy; it compels legitimate business to bear the risks of speculation; it takes away the high ideal involved in establishing character and building up good will; it compels the conservative banker to place his character, standing in the community and financial strength at the command of incompetent, venturesome or dishonest rivals, and thus enable them to buy away his deposits and his business. It is a premium upon bad banking and unsafe business, and portends disaster to all commercial interests and threatens the welfare of the entire nation.

In view of the prominence given to this question at the present time, we deem it important that the American Bankers' Association place itself on record. We, therefore, recommend the adoption of the following resolution:

Resolved, That the American Bankers' Association is unalterably opposed to any arbitrary plan looking to the mutual guaranty of deposits either by a State or the nation for the following reasons:

1. It is a function outside of State or national government.
2. It is unsound in principle.
3. It is impractical and misleading.
4. It is revolutionary in character.
5. It is subversive to sound economies.
6. It will lower the standard of our present banking system.
7. Productive of and encourages bad banking.
8. It is a delusion that a tax upon the strong will prevent failure by the weak.
9. It discredits honesty, ability and conservatism.
10. A loss suffered by one bank jeopardizes all banks.
11. The public must eventually pay the tax.
12. It will cause and not avert panics.

Respectfully submitted,

ARTHUR REYNOLDS,
Chairman.

E. F. SWINNEY,
JOSEPH A. MCCORD,
W. V. COX,
JOHN L. HAMILTON.

Report of Committee on Credit Information.

On behalf of the Committee on Credit Information I would respectfully report: At the time of its appointment your committee was instructed to consider the practicability of establishing a credit bureau to be conducted by the association for the purpose of collecting and distributing information to members concerning the credit standing and financial responsibility of all concerns whose paper was sold through note brokers. After several conferences and mature consideration your committee concluded unanimously that the establishment of such a bureau would certainly be a costly experiment and possibly a serious mistake. However, your committee believed that the effective machinery and vast influence of the association could be utilized to secure practical benefits along these lines within certain limitations.

Your committee so reported in detail to the Executive Council

at its Lakewood, N. J., meeting, May 5, 1908, a copy of which report is hereto appended and made a part of this report, recommending a plan for filing reports of certified public accountants and registering notes under the supervision of the several Clearing House committees in New York, Chicago, St. Louis, Philadelphia and Boston. Under this plan banks buying commercial paper through note brokers would have prompt and ready access to an independent appraisal of the assets of each borrowing concern, certified by an approved public accountant, and could also promptly ascertain at any time the amount of paper outstanding. The plan appeared to be simple and practical, but we regret to report that up to the present time it has not been found possible to obtain favorable action on the part of the various Clearing Houses toward its adoption. They all prefer to limit their operations strictly to the functions which they have heretofore exercised.

Your committee have a constantly increasing sense of the importance of this or some similar plan. No stronger evidence to this effect is needed than that afforded by the recent failure of several large and well known firms and corporations selling commercial paper widely through note brokers to members of this association. In each of these cases it is highly probable that dangerous extension would have been curbed and possibly no loss would have been sustained had the recommendations of your committee been in force as suggested for a sufficient period of time. Your committee has in the meantime endeavored by personal work, by addresses at bankers' conventions and by articles in the press, to arouse interest in this subject, to point out existing abuses, and to create a sentiment favorable toward the adoption of the proposed plan.

There has been a gratifying response to this appeal, and your committee is assured that by the daily, active co-operation of the members of this association the suggested reforms can be accomplished. They respectfully urge that every member exert his influence to have all paper purchased from note brokers presented with accompanying statements audited by certified public accountants, and note broker's certificate of paper outstanding at the time of purchase. We trust that this course of education and agitation will eventually crystalize a sentiment strong enough to cause definite authoritative Clearing House action substantially along the lines laid down in your committee's report. Clearing House registration of commercial paper sold by note brokers is the logical and final result desired. While this step can not be taken at the present, it must be kept clearly in view and actively sought for. To that end we would ask that the association by the adoption of this report recommend that its members in purchasing commercial paper from note brokers give preference to such names as furnish accompanying statements audited by certified public accountants and certificates signed by the note brokers of the amount of paper outstanding at the time of purchase.

We also recommend that the association refer to the Standing Law Committee the matter of securing the enactment of a statute providing for the severe punishment of any officer of a corporation convicted of obtaining money for said corporation by means of a false statement signed by him.

Report of Standing Law Committee, by Thomas B. Paton, General Counsel.

To the American Bankers' Association:

On May 5, 1908, our Committee made a preliminary report to the Executive Council at the meeting held at Lakewood, New Jersey, in which we said:

Early in the year our Committee, with the assistance of counsel, prepared drafts of various proposed laws recommended for enactment in the States whose Legislatures held sessions in 1908. These laws covered the following subjects:

Punishment of persons making false statements affecting banks. Two measures, one for State enactment and one for enactment by Congress, affecting National Banks.

Fixing the liability of banks to depositors for payment of forged or raised checks.

Punishing the giving of checks or drafts on banks without sufficient funds or credit for the payment of same.

Defining and punishing the crime of burglary with explosives.

Providing for the payment of deposits made in the name of two persons.

Providing for the payment of deposits in trust.

Providing a law uniform with the laws of other States relative to the transfer of stock of corporations.

Providing for the competency of notaries, who are stockholders or officers in banks, to make protest and take acknowledgments in certain cases.

Relating to the calculation of interest.

Amending the maturity section of the Negotiable Instruments law.

Amending the Negotiable Instruments law relative to instruments payable at bank.

These drafts of proposed laws, with explanatory statements, were published in a pamphlet issued by the Committee in which the Committee also advocated the enactment of the uniform law of negotiable instruments, warehouse receipts and sales in all the States where such laws were not in force. Pamphlet containing such drafts was forwarded to every member of the American Bankers' Association, to secretaries and legislative committeemen of State associations, and to other interested persons. An extensive correspondence has been carried on relative to the enactment of these laws in various States.

As a result of suggestions and criticisms, this Committee prepared two substitute measures for the punishment of persons making derog-

atory statements affecting banks. The measure for national enactment was introduced in Congress by Honorable John Dalzell, of Pennsylvania, and the measure for State enactment was sent to secretaries and legislative committeemen of State associations for action. A circular letter, enclosing copies of these substitute laws and requesting members to write senators and representatives from their respective districts in favor of national measure and report replies received, was forwarded every member of the American Bankers' Association, and an active campaign for the enactment of this law by Congress was inaugurated.

On March 19 our counsel had a personal interview with Congressman Dalzell at Washington with reference to the favorable report of this measure by the Committee on Judiciary. Mr. Dalzell promised to take it up with Congressman Fowler and do all he could to further it.

Our counsel also prepared an argument in behalf of this measure, which was printed and forwarded to members of Congress and interested parties.

Our Committee, through the counsel and secretary, has carried on a very extensive correspondence with bankers and legislators in every State in behalf of the bank-slander measure, and has made every endeavor to have it favorably reported out of the House Judiciary Committee, to whom it was referred. A large number of representatives and senators have written letters to the effect that they will vote for this measure, and a large number of others have stated that they will give it due consideration. These letters are on file with our Committee. At present date it is uncertain whether this measure will be reported favorably by Congress at this session. Some members of Congress have written to the effect that favorable report will be made; others that nothing will be done this session. There is reasonable prospect of the enactment of this law either at the present or the next session of Congress.

It is too early to make full report concerning the progress of State legislation. Such report will be made on the occasion of the next annual convention.

Continuing our report we would say:

During the year 1908 down to the present time, only thirteen States and one territory have held legislative sessions, namely,

GEORGIA	NEW YORK
KENTUCKY	OHIO
LOUISIANA	OKLAHOMA (Began Dec. 2, 1907)
MARYLAND	PORTO RICO TERRITORY
MASSACHUSETTS	RHODE ISLAND
MISSISSIPPI	SOUTH CAROLINA
NEW JERSEY	VIRGINIA

Our efforts, therefore, for the promotion of uniform and needed legislation have been more particularly confined this year to these States and in Congress, where we have advocated the measure for the punishment of persons making derogatory statements affecting national banks.

Our preliminary report details the efforts before Congress in behalf of that measure. We can only add that it was not reported out of committee at the last session and that we intend to actively urge a favorable report at the incoming session of Congress.

In the matter of uniform State legislation advocated by our Committee we are pleased to report the following results:

1. The Uniform Warehouse Receipt act has been passed by the Legislatures of four States this year, namely, Louisiana, Ohio, Rhode Island and Virginia. This makes ten States in all, the act having been previously passed in Connecticut, Illinois, Iowa, Massachusetts, New Jersey and New York.

2. The Uniform Sales Act has been passed this year by the Legislatures of Massachusetts, Ohio and Rhode Island. This makes six States or jurisdictions in all, having been previously enacted in Arizona, Connecticut and New Jersey.

3. The law for the punishment of persons who make derogatory statements affecting banks has been enacted by the Louisiana Legislature in the amended form provided by our Committee and by the Rhode Island Legislature (as part of a general banking law) in the form as originally provided and as heretofore enacted in the State of New Jersey.

4. The law advocated by this Committee fixing a short time of liability by a bank which pays a forged or raised check to its depositor has been enacted in New Jersey.

5. The laws advocated by this Committee (1) relative to the payment of deposits in trust, permitting payment to the beneficiary in the event of death of the trustee and (2) authorizing the bank to pay a deposit made in two names to either, whether the other be living or not, have been enacted by the Legislature of Rhode Island as part of a general banking law. Also in Louisiana the Legislature has enacted the law relative to the payment of deposits in two names and has extended it to include access to deposits in safety deposit vaults.

6. The law advocated by this Committee punishing the giver of a check where there are not sufficient funds or credit for the payment of the same, has been enacted in Rhode Island as part of a general banking law.

The following is a summary of state legislation enacted this year affecting banking interests, together with a statement of certain legislation introduced, but not passed.

GEORGIA.

No legislation affecting banks in Georgia was enacted the present year. Senate Bill No. 180, for the guarantee of deposits in State banks, was defeated in the Senate Committee on Banks and Banking, to whom it was referred. This defeat was due to the efforts of the Legislative Committee of the Georgia Bankers' Association, of which Mr. Joseph A. McCord, of Atlanta, is chair-

man. Mr. McCord submitted a printed argument in opposition to the measure.

Senate Bill No. 185, which sought the amendment of the law passed last year creating a bureau of banking in the office of the State Treasurer and seeking to enlarge the power of the State Treasurer as State Banking Examiner, was referred to the Senate Committee on Banks and Banking. After a careful hearing, the bill having the support of the Legislative Committee of the Georgia Bankers' Association, was amended by the Senate Committee and reported by substitute, the substitute being fully agreed to by the Legislative Committee of the Georgia Bankers' Association. The bill was passed by the Senate unanimously on Friday, July 31, and immediately transmitted to the House. It was there referred to the Committee on Banks and Banking, and after several hearings given by the Committee was referred to a special committee of three, and there the bill lay. The Chairman of the House Committee was opposed to it and it was not reported out of Committee until Tuesday, August 11, at 6 o'clock p. m., the last day on which a committee could report a bill. The Committee consisted of eighteen members, eleven of whom were in favor and some of the others filed a minority report. It was called up for special action near the hour of adjournment, but as there was a division of the report of the Committee the bill was left over for a new session. The new session will be composed of representatives elected this fall. The Legislative Committee of the Georgia Bankers' Association hopes to be able to get the bill passed at the first session of the next general assembly.

KENTUCKY.

The only legislation enacted by the Kentucky Legislature this year of interest to or affecting banks was an act making tobacco warehouse receipts "negotiable and transferable by indorsement in blank or by special indorsement and with like liability as bills of exchange now are and with like remedy thereon." The act permits warehousemen to commingle tobacco of like grades, requires receipts to be consecutively numbered, provides for statement on such receipts of the character and amount of loans or mortgages, if any, upon the tobacco; requires duplicate issues for lost receipts to be so marked, and contains other provisions desirable in the interest of full negotiability.

LOUISIANA.

Louisiana is the first State to enact the act specially prepared by the counsel for the punishment of malicious slanderers and libelers of banks. The law as passed provides:

"That any person who shall wilfully and maliciously make, circulate, or transmit to another or others any statement, rumor, or suggestion, written, printed, or by word of mouth, which is directly or by inference derogatory to the financial condition, or affects the solvency or financial standing of any bank organized under the laws of the State of Louisiana, or who shall counsel, aid, procure, or induce another to state, transmit, or circulate any such statement or rumor, shall be guilty of a misdemeanor, and, upon conviction thereof, shall be punished by a fine of not more than five thousand dollars and by imprisonment at hard labor for a term of not more than five years."

The above act was passed through the efforts of the Legislative Committee of the Louisiana Bankers' Association, of which Mr. Edwin T. Merriek, of New Orleans, is Chairman. Other laws passed through the efforts of the same Committee are as follows:

An act to afford temporary relief from taxation pending application for a general exemption of mortgage notes, which had to be embodied in a constitutional amendment. The constitutional amendment also passed the House and Senate and will be voted on in November.

A further act was passed to repeal a statute which allowed the public administrator to get hold of money uncalled for after seven years and to administer the same, which law has given rise to some hardships.

A further act amended Section 132 of the Negotiable Instruments Law of 1904 so as to read as follows:

"The acceptance of a bill is the signification by the drawee of his assent to the order of the drawer. The acceptance must be in writing and signed by the drawee. It must not express that the drawee will perform his promise by any other means than the payment of money."

The section, as originally enacted, provided that "the acceptance may be in writing," etc., and the amendment consists in the substitution of the word "must" for "may."

An act, in the form recommended by the Standing Law Committee, authorizing a bank, savings bank or trust company to pay a deposit in the name of two or more persons to either, whether the other or others be living or not. To this act is appended a further enactment as follows:

"That when a safety deposit vault shall have been hired, or shall hereafter be hired from any bank, savings bank or trust company transacting business in this State, under the names of two or more persons, with the right of access being given to either, or with access to either of the survivor or survivors of said persons, such survivor or survivors, whether the other or others be living or not, shall have the right of access to such deposit vaults, and may remove therefrom the contents of said box; provided, that in all cases where such removal shall have been made the said bank, savings bank or trust company shall be exempt from any liability for permitting the survivor or survivors access thereto."

The Louisiana Legislature also enacted the Uniform Warehouse Receipts act as already stated.

MARYLAND.

The Maryland Bankers' Association prepared a comprehensive bill affecting and revising all laws relating to banks, savings banks, trust companies and all banking institutions of the State. The bill failed to pass.

MASSACHUSETTS.

There has been a great deal of legislation enacted this year in Massachusetts of interest to banks, trust companies and savings banks. A comprehensive act was passed to codify, revise and amend the laws relative to savings banks and institutions for sav-

ings. This is Chapter 590 of the acts of 1908. The provisions of this are too comprehensive to quote or refer to in detail. Massachusetts enacted the Uniform Sales act at this session.

MISSISSIPPI.

The Mississippi Legislature passed an act (approved March 10, 1908) to compel the payment of capital stock of banks and trust companies in actual cash before beginning business, and that no bank can begin business without a paid-up capital to the amount of at least \$10,000 in towns of five hundred inhabitants or less, and at least \$15,000 in towns and cities of over five hundred inhabitants, and to make it obligatory upon the directors of the bank or branch banks and trust companies to make quarterly examinations of the books, accounts and securities and certify the same to the Auditor.

Also an act (approved March 5, 1908) to amend Section 256 of Chapter 14, of the Code of 1906, requiring every bank and branch bank and every person, corporation or association of persons receiving money on deposit or issuing or buying or selling exchange, or otherwise doing a banking business, to make a balanced statement to the Auditor of Public Accounts at least four times in each year of the condition of the bank or banking business and each branch bank thereof.

Also an act to authorize banks and banking institutions to establish clearing house associations, for improvement and economy of business methods, and in service to the public.

NEW JERSEY.

The New Jersey Bankers' Association, through Mr. Field, Chairman of our Committee, introduced various bills advocated by this Committee, but the only one to pass was the one regarding the time of liability on forged checks. It provides that "no bank shall be liable to a depositor for the payment by it of a forged or raised check, unless within one year after the return to the depositor of the voucher of such payment such depositor shall notify the bank that the check so paid was forged or raised."

Most of the time was spent in endeavoring to secure the passage of a tax bill and it was difficult to keep in touch with all the other measures. The tax bill was passed by both Houses but was vetoed by the Governor. Since then, however, the Court of Errors of New Jersey has rendered a decision which gives the banks the desired relief.

NEW YORK.

The New York Legislature passed certain laws relating to savings banks, trust companies, banks of discount and safe deposit companies, in amendment to existing provisions of law. These amendments have been issued in pamphlet form by the Superintendent of Banks and will not be detailed in this report.

OHIO.

The Ohio Legislature passed both the Uniform Warehouse Receipt and the Uniform Sales acts. The only other important legislation was the Thomas bill. This is a comprehensive act relating to the organization of banks and the inspection thereof. It provides that "any number of persons, not less than five, a majority of whom are citizens of this State, may associate and become incorporated to establish a commercial bank, a savings bank, a safe deposit company, a trust company, or to establish a company having departments for two or more, or all of said classes of business, upon the terms and conditions, and subject to the limitations prescribed in this act." The enactment of this law is the culmination of more than eight years of untiring work on the part of the Ohio Bankers' Association. The measure is expected to do much for the financial interests of the State.

OKLAHOMA.

The first State Legislature of Oklahoma passed a bill, which was approved by the Governor, December 17, 1907, creating a State Banking Board and also a Depositors' Guaranty Fund. The law provided for an assessment, within sixty days after its approval, of one per cent. of each bank's daily average deposits, less the deposits of State funds properly secured for the preceding year; annually thereafter each bank must report the amount of its average daily deposits for the preceding year, and must pay into the fund one per cent. of any excess shown; and whenever the fund is depleted, provision is made for special assessments to cover the deficiency, so as to keep the fund to one per cent. of the total deposits of all the banks. Whenever the Bank Commissioner takes possession of any bank the law provides that the "depositors of said bank shall be paid in full," and when the cash immediately available is insufficient, the Banking Board "shall draw from the Depositors' Guaranty Fund and from additional assessments, if required," the amount necessary to make up the deficiency. The State is given a first lien upon the assets of the bank for the benefit of the fund and upon all liabilities of stockholders, officers, directors and other persons, which may be enforced by the State for the benefit of the fund.

The Supreme Court of Oklahoma, early in September, handed down a decision upholding the constitutionality of this law and the case will be carried to the Supreme Court of the United States for review.

PORTO RICO.

No legislation was enacted by the Legislature of Porto Rico during its 1908 session especially affecting the banking interests.

RHODE ISLAND.

Rhode Island enacted both the Uniform Warehouse Receipt Act and the Uniform Sales Act at this session.

Also a general banking law to provide for the incorporation and regulation of banks, savings banks and trust companies. In this law have been incorporated certain provisions, advocated by our Committee, covering payment of deposits in trust and in two names, punishing the maker of a check delivered without sufficient funds or credit to meet it and punishing the wilful or malicious slanderer of a bank. The law also contains a provision for the punishment of any person who knowingly makes a false statement to banking institutions for the purpose of obtaining a loan.

This law contains 90 sections and its provisions are too detailed for even a summary in this report.

SOUTH CAROLINA.

South Carolina passed a law this year for the appointment by the Governor of a Bank Examiner and defining his powers and duties.

Also a law making it a felony to enter a bank with intent to steal. This law provides that "whoever shall break, enter, or enter without breaking, any building or part of a building occupied as a bank, with intent to steal any money or securities for money or other things of value, either by force, intimidation, threats, stealth or otherwise, shall be deemed guilty of a felony, and upon conviction thereof shall be punished by imprisonment in the penitentiary at hard labor for not less than ten years."

VIRGINIA.

The Uniform Warehouse Act passed the Legislature of Virginia on the last day of the session and has been approved by the Governor.

The Legislature also passed the following acts: Making the sending of notice of protest or dishonor by mail to any person residing in a city or town equivalent to personal service.

Providing that protest in all cases, whether made in the State or not, shall be prima facie evidence of what is stated therein, or at the foot or on the back thereof, in relation to presentment, demand, dishonor and notice thereof.

Amending the act, originally enacted in 1906, concerning the effect of death of the drawer of a check. The act provides that the death shall not, as to checks presented for payment within two weeks from date of death, operate as a revocation of authority of the bank to pay and requires the bank to retain the deposit for two weeks after notice of a depositor's death, and after paying thereout any checks presented within said two weeks the bank, upon demand, must pay the residue to the persons entitled thereto in the manner prescribed by law.

Early in September our Committee issued a call for a meeting of the Legislative Committeemen of all the State Bankers' Associations, to be held on September 28, at Denver, under the auspices of the Standing Law Committee. The objects of this meeting are: (1) To receive suggestions from the various committeemen as to legislation on matters of banking concern needed in their respective States; (2) to establish an effective working organization under the auspices of the Standing Law Committee by which necessary legislation in the various States may be furthered, and (3) for the consideration of legislative work already accomplished and in progress along the line of improvement and uniformity in the laws affecting the banking business.

Respectfully submitted,

STANDING LAW COMMITTEE.

WM. J. FIELD, Chairman, JOHN K. OTTLEY,
Secy. & Treas. Commercial Vice-Pres. Fourth Nat. Bank,
Trust Co. of New Jersey, Atlanta, Ga.
JERSEY CITY. HENRY B. WILCOX,
HENRY DIMSE, Vice-Pres. & Cashier First
Vice-Pres. Century Bank, New Nat. Bank, Baltimore, Md.
YORK CITY. THOMAS B. PATON,
P. C. KAUFMAN, Counsel & Secretary, 11 Pine
Second Vice-Pres. Fidelity St., New York City.
Trust Co., Tacoma, Wash.
September 15, 1908.

Report of the Executive Council, by the Chairman, Lewis E. Pierson.

Immediately following the last Convention the Council organized and elected Lewis E. Pierson of New York as chairman, A. A. Crane of Minneapolis as treasurer, Fred. E. Farnsworth of Detroit as secretary, and William G. Fitzwillson as assistant secretary.

Under a By-Law of infrequent use the Council also elected an Advisory Committee of seven, which held a two days' session in New York in February, and in addition to framing up several important matters for the attention of the Council at its next meeting, took action:

1st. For the immediate revision and publication of a new cipher code—the previous edition of code having been exhausted.

2nd. Instructing the officers to wait upon the Comptroller of the Currency and urge the republication of Vol. 2, omitted from the Annual Report of his office the last few years, and which contained a copy of one published statement of each national bank for that year.

3rd. Instructing the secretary to prepare a distinctive badge for each member of the Council.

4th. Instructing the secretary to inventory and carry on the books of the Association at \$1.00 all the furniture and fixtures belonging to the Association, payment for which had previously been made from expense account; and also arrange for the proper insurance to cover same.

5th. Instructing the secretary to gather a financial library, composed of books and pamphlets on financial questions of fact, useful to members of the Association in following lines of financial research, and also, as soon as introduced, obtain and keep on file all Congressional bills affecting members of our Association.

6th. The appointment of a committee with instructions to report to the Executive Council on the desirability of endeavoring to secure for members of the Association, who are pur-

chasers of unsecured notes in the open market, more certain data on the names offered by brokers.

7th. The appointment of a committee to devise and recommend a form of voucher check which, when used by our customers, would be surely negotiable and free from the many irregularities on such checks in present use.

8th. The appointment of a committee to submit to the Council for consideration certain amendments to the Constitution.

A number of other important matters were discussed and referred to the Council.

The spring meeting of the Council was held at the Laurel-in-the-Pines, Lakewood, N. J., May 5th and 6th, two sessions being held each day.

On the preceding day, May 4th, the Executive Committees of the Sections, and also the Standing Committees of the Association, held meetings preparatory to the meetings of the Council; and during the sessions of the Council each made written reports of their individual lines of work, which reports were subsequently mailed to each member of the Association.

Recommendations of the Advisory Committee were acted upon as follows:

1st: The president, treasurer and chairman of the Executive Council were instructed to enter into a contract with the Bankers' Trust Company of New York, charging that company with the responsibility of safe-keeping the Association's securities, and its officers' fidelity bonds, including renewals of same, as well as collection of interest on the securities.

2nd: Instructing the secretary to publish a monthly bulletin and distribute the same to the members of the Association free of subscription cost, and without advertisements, and containing only Association matter; in order to bring the membership into closer relation to the work of the Association.

3rd: Instructing the president, vice-president, chairman of the Executive Council, secretary and chairman of each Executive Committee of the several Sections to act as a committee with power to consolidate with the main office of the Association the offices maintained by the several Sections and Institute of Banking—excepting only for the time being the office of the Savings Bank Section.

4th: Upon the recommendation of the Savings Bank Section, the Standing, Law and other committees, as well as the Advisory Committee, the creation of the office of counsel general and the appointment to that office of Thomas B. Paton, at a salary of \$5,000 per annum, Mr. Paton having ably advised several committees, the Savings Bank Section and the Institute of Banking for some years previous, at a cost nearly approximating the salary, but who now is giving his entire time to the work of the Association.

In addition to acting upon these recommendations of the Advisory Committee, the Council also appointed a Finance Committee of ten, of which the president of the Association is chairman, and on which is no member who is a member of any committee of the Association or any Section's Executive Committee. To this committee hereafter are to be submitted all requests for appropriations for the work of the several Sections and committees, so that an annual budget can be made up for action of the Executive Council.

Upon the adoption of the resolution for the appointment of this committee, the Advisory Committee for this year was discontinued.

The report of the Committee on Commercial Credits revealed so strongly to the Council the necessity of devising a practical method for ascertaining the exact condition of makers of commercial paper offered by brokers that the committee was continued, with three additional members.

In accordance with resolution at the last Convention referring to the matter to the Executive Council, a committee was appointed to devise a method by which uniform stationery may be recommended to the members and also to consider the desirability of endeavoring to secure different tints in the printing of the several denominations of our currency.

In order that the various sections of our present Constitution and By-Laws might be made more clear and brought into harmony, the Committee on Changes in the Constitution was increased to six and instructed to present recommendations for such a revision at the next meeting of the Council.

After unanimously accepting the cordial invitation of our Denver hosts to hold this Convention in their city, an invitation from the bankers of the City of Chicago for the 1909 Convention was presented to the Council.

The Association is to be congratulated upon the excellent work of its several committees during the past year—their efforts have been continuous and in a number of cases entirely successful—as will be revealed in their brief reports to the Convention, which you will find most interesting.

The consolidation of the offices of the several Sections and Institute of Banking with the main office of the Association is developing a live business organization for the Association, and keeping its members in closer touch with the work of the Institute of Banking.

The other officers cannot speak too highly of the efficient work of your secretary and his subordinates during the past year. Their efforts have been intelligent, diligent and effective, and have met with the full approval of the Council.

Report of the Committee on Uniform Negotiable Instruments Law.

Sept. 25, 1908.

To the President and Members of the American Bankers' Association.

Since the report made by this Committee at the last meeting of the Association, held in Atlantic City last September, we have had the pleasure of adding Nevada, New Mexico, Wyoming and Hawaii to our list of States that have adopted the Uniform Negotiable Instruments Law. The States still remaining outside are Maine, Vermont, New Hampshire, Delaware, Indiana, Oklahoma, Texas, Arkansas, Mississippi, Georgia, South Carolina, South Dakota, Minnesota and California.

In the States just mentioned, there are certain conditions existing which make it almost impossible to get good banking legislation through.

The bankers of Maine, Vermont and New Hampshire, where the Committee has been working for some time, do not seem to co-operate as they should to secure the passage of the law.

We have been unable to get the law through in Oklahoma, Texas, Arkansas, Mississippi, Georgia and South Carolina on account of the political and other conditions existing against railroads and other corporations.

We are very much encouraged with our work in South Dakota and Minnesota, where we believe the measure will be passed at the next session of the legislatures in these States.

Considerable work has been done in Indiana, and the bankers of that State give us very much encouragement, as they say they will be able to get the act through at the next meeting of the legislature.

There are conditions existing in California which make it difficult to get the law through, but our friends there tell us they hope to secure the passage of the measure in that State before long.

We are working in Delaware, and hope, with the aid of our friends there, to get the law passed.

We urge the active support and work of the bankers in the States that have not adopted the Uniform Negotiable Instruments Law to secure the passage of said law at the next meeting of the Legislatures in their respective States.

The States and jurisdictions which have adopted the Law are as follows:—

Massachusetts	Illinois	Florida
Connecticut	Iowa	Arizona
Rhode Island	Missouri	New Mexico
New York	Nebraska	Wyoming
Pennsylvania	Kansas	Montana
New Jersey	North Dakota	Colorado
Maryland	Tennessee	Utah
West Virginia	North Carolina	Nevada
Kentucky	Dist. of Columbia	Idaho
Ohio	Virginia	Oregon
Michigan	Louisiana	Washington
Wisconsin	Alabama	Hawaii

Our committee desires, at this time, to express our appreciation for the united hearty support of the American Bar Association and the different State Bar Associations in their efforts to pass the Uniform Negotiable Instruments Law.

Signed { EDWARD D. KEYS, Chairman,
HOMER A. MILLER,
GEO. F. ORDE,

Committee.

Report of the American Institute of Banking, by the Chairman, Joseph Chapman, Jr.

As foreshadowed last year in the annual report of the American Institute of Banking to the American Bankers' Association, the management of the Institute has been transferred by the Board of Trustees from themselves to the Chapters, with only such financial supervision as the Institute Committee of the Association may deem proper to exercise. The Institute is now conducted under a new constitution approved by the Executive Council of the American Bankers' Association and adopted by its Convention at Providence in July.

It is too early to determine the results of Institute self-government, but judging from the conservatism and sense of responsibility thus far manifested and the educational plans so far formulated, there is every reason to expect improvement, not only in the development of executive ability and personality among the members, but also in the systematic study of Practical Banking and the kindred subjects of Commercial Law and Political Economy.

The spirit of fraternity is the strongest motive power in the promotion of such education as the Institute provides, and now that a suitable organization has been built up, there is a commendable disposition to pursue the study courses and examinations which at first proved to be somewhat in advance of prevailing conditions. It has been found expedient to localize such work through alliances between the Institute and available schools of finance and law, thus utilizing the best educational facilities in the United States. In this way the individual advantages of leading universities and the personality of experienced professors are obtained with no further responsibility

on the part of the Institute than the maintenance of a recognized educational standard and the stimulation of educational interest and ambition.

When the Institute was founded eight years ago, there were only two prominent schools of finance in the country. Now finance is taught in every leading university and, through the influence of the Institute, instruction in financial subjects is of more practical character than it would otherwise probably be. The Institute does not claim all the credit for this revolution in education, but in promoting the study of banking principles and practices, which are now the paramount questions of the times, it has rendered valuable service not only to American bankers but to the American people.

Experience has demonstrated the fact that Chapters as conducted in large cities are not expedient in small places unless convenient to some school of finance or law from which professional instructors may be obtained. The spirit of fraternity so well developed in city chapters, however, is being extended throughout the country by means of the Correspondence Chapter, which is doing satisfactory work in alliance with the International Correspondence Schools of Scranton and through study courses conducted by the Chapter itself. Too strong emphasis cannot be placed on the value of the Correspondence Chapter of the Institute. It is no longer necessary for a young man to live in a large city to obtain the educational advantages offered by the Institute, for the bank man in a town of two hundred inhabitants has, through the agency of the Correspondence Chapter, all the Institute can offer but the fraternal privileges. We especially urge the members of the American Bankers' Association in the smaller cities and towns of our country to bring this Correspondence Chapter of the Institute to the earnest attention of their employees. The Correspondence Chapter now has 1,122 members, a majority of whom are active students of various courses of study.

September 1st there were 45 Chapters of the Institute with a total membership of 8,835 and three or four additional Chapters were in process of organization. A partial list of these Chapters is as follows:

Baltimore.	Indianapolis.	Rochester.
Buffalo.	Los Angeles.	San Francisco.
Chattanooga.	Milwaukee.	Scranton.
Chicago.	Minneapolis.	Seattle.
Cleveland.	New Orleans.	Springfield.
Cincinnati.	New York.	St. Louis.
Correspondence.	Oakland.	St. Paul.
Davenport.	Philadelphia.	Tidewater.
Des Moines.	Pittsburg.	Valley.
Detroit.	Providence.	Washington.
Hartford.	Richmond.	

Some Chapters require encouragement and inspiration, but most of them are permanently established and have not only increased the efficiency and elevated the character of their own members, but have also exerted a beneficial influence upon the banking business in their respective localities.

Following is a statement of Institute receipts and expenditures for the year ending September 1, 1908:

RECEIPTS.

Balances September 1st, 1907.....	\$1,558.59
Subscriptions to the Bulletin	8,812.78
Textbooks and Examinations	670.26
Fellowship Dues	82.00
American Bankers' Association	7,970.18
	\$19,093.81

EXPENDITURES.

Bulletin and Stationery	\$7,232.47
Salaries	5,710.00
Rent and Telephone	511.68
Textbooks and Examinations	843.36
Postage, Telegrams, Express and Exchange.....	575.01
Office Expenses	194.61
Secretary's Travelling Expenses	945.00
Trustees' and Committee Expenses.....	485.29
Editorial and Legal Services.....	400.00
Chapter Convention	500.00
	\$17,397.42

Balance on hand September 1st, 1908..... 1,696.39

\$19,093.81

The foregoing figures show that the income of the Institute is less than its outgo. The reason for this is that the Bulletin and other education matter is furnished at less than cost. While the annual appropriation of \$10,000.00 made by the American Bankers' Association has never been wholly expended, your Committee recommends that the same amount be again appropriated for the ensuing year. Your Committee believes that the money devoted to the Institute furthers a work which adds to the usefulness and dignity of the Association and tends to increase the strength and character of its membership. It is, therefore, the best possible investment. Your Committee particularly urges that the Institute in the administration of their own affairs should be treated as liberally in the matter of financial support as the Board of Trustees have been treated in the past.

The Convention of the Institute in Providence petitioned that proper steps be taken at this Convention to make the Institute

of Banking a Section of the American Bankers' Association, and we believe that these two great bodies should work together in the very closest harmony. This Committee, therefore, recommends that the Institute be made a Section of the American Bankers' Association.

We believe that through the instrumentality of the Institute of Banking the day will be hastened when the crude, heterogeneous methods now in practice will be crystallized into improved, uniform methods which will enable us to make of banking a profession. We are training the best of the younger men in the knowledge of economics and practical banking, and with the knowledge thus derived, they will be able to act more unitedly and with a clearer understanding of fundamental principles than are the bankers of to-day.

Long live the Institute, the greatest educational trade organization in the world, and may it always have and deserve the confidence of the American Bankers' Association, representing the greatest aggregation of wealth since time began.

Report of Committee on Voucher Check, by the Chairman, Clay H. Hollister.

Gentlemen of the American Bankers' Association:

Your Committee appointed some months ago, for the purpose of formulating recommendations bearing upon the question of voucher checks, has had several meetings, has conducted various correspondence, and is endeavoring to suggest typical forms suitable for voucher checks to the banks, members of the American Bankers' Association.

In making investigation we have found that the best results could be obtained by the co-operation with large corporations and railroads, in order that the result of our labors might be efficient in extending the use of recommended forms to all lines of business.

In a general way, the Committee is seeking to provide:

First, a negotiable instrument.

Second, an instrument which shall be as easily handled by the banks as possible.

Third, which shall in every way meet the needs of users of voucher checks, in permitting them to use such matter upon these checks as shall not interfere with their negotiability and easy handling by the banks.

We have examined numerous forms of checks and have been in correspondence with the American Association of Public Accountants, also with the members of the Association of American Railway Accounting Officers and of the Society of Railway Financial Officers.

We have decided that before making final recommendations upon the subject, it will be desirable to meet with representatives of these other bodies, in order that such action as we take may meet with their approval and enlist the approval of large users of voucher checks.

We, therefore, are not prepared to-day to recommend specific forms for the use of members, but we ask for further time in which to prepare such specific forms, and will undertake to prepare them at the earliest possible moment, as soon as we have been able to get the co-operation of these other associations.

We do not expect that this will be an expensive or laborious task, but hope to be able within a few months to suggest forms which shall be of real value to the association members.

We, therefore, ask for a continuance of our committee for a reasonable period in order that we may have time to complete the work which we have undertaken.

Respectfully submitted,

CLAY H. HOLLISTER,
F. O. WATTS,
M. E. AILES,
Committee on Voucher Checks.

Report of Committee on Uniform Stationery and Tints.

Your committee to which were referred the resolutions as to having the various denominations of bank notes printed in different color tints, and as to uniformity in bank stationery, beg leave to report:

That we conferred with the Treasury Department, and were informed that it is opposed to a change in the color of bank notes, for the reasons,

1st. If tellers would rely upon colors, it would lessen the safeguard against counterfeiting, for these can easily be altered, and changed from a smaller denomination to a larger.

2nd. The cost of printing would be twenty-five per cent. greater.

3rd. The colors would cover the distinctive fiber of the notes.

In view of these circumstances we deem it best to abandon for the present the plan suggested.

As to uniformity in bank stationery, we believe that its adoption would do much to lessen labor in handling, sorting and filing, with resulting saving of time; it would gradually lead to standard forms and material and thus reduce expense.

To carry out such plan we recommend:

1. That for business purposes the following bank paper be of the uniform size of 3½ x 8 inches, and in color as follows:

Checks in white, bills receivable in green tint, certificates of deposit in pink tint, drafts in yellow tint, receipts in slate tint.

2. That letter heads be 8½ x 11 inches and note heads 6 x 10 inches, of such color as each bank may choose.

All of which is respectfully submitted.

Dated September, 1908.

JOHN SCHUETTE,
W. V. COX,
FRANK D. STALNAKER,

Report of Bill of Lading Committee, by Lewis E. Pierson.

Since our last report your committee has achieved the purposes for which it was originally appointed, through an order of the Interstate Commerce Commission, under date of June 27, 1908, recommending two (2) forms of bills of lading for uniform adoption by all carriers throughout the United States.

The order of the commission includes the recommendations of our committee, which in brief were as follows:

1. Two separate forms of bills of lading on different colored paper, one for straight and one for order shipments.

2. The prominent printing of the words "order of" before the name of the consignee of order bills.

3. The omission of the words "not negotiable" from order bills and the printing of such words on straight bills.

4. The amendment of the alteration clause so that a fraudulently altered bill shall be good for its original tenor and not be destroyed completely.

5. The addition, at the end of section 3, of the conditions (which provide that the carrier, liable for loss, shall have the benefit of any insurance) of the words, "so far as this shall not avoid the policies or contracts of insurance."

The commission, however, states that it has no authority to enforce these recommendations upon all carriers in order to make uniform all bills of lading issued throughout the country, but the recommendations have been agreed to by the railroads in the Official Classification Territory, or those railroads east of the Mississippi and north of the Ohio River, and it is hoped that the other carriers will also adopt the forms.

Preceding the recommendations of the Interstate Commerce Commission, which followed three years of study and negotiation by a joint committee of carriers and shippers appointed at the suggestion of the commission, a hearing was held before that body in Washington, October last. This hearing lasted for two days and was attended by a large number of representatives of shipping, carrying and banking interests. Our own committee appeared with counsel and submitted briefs, which are shown in Appendix No. 1.

Following the hearing, the Interstate Commerce Commission gave much thought to the subject and held a number of informal conferences with the interests affected, prior to the issuing of its final recommendations. The work of the commission in this important matter has been most thorough and eminently fair to all interests, and the thanks of the entire business community are due Chairman Knapp and his associates for the painstaking and satisfactory manner in which they have lent their aid for the solution of this portion of the bill of lading problem.

Under the resolution of your St. Louis convention our committee was also charged with the additional problem of securing legislation which would give to bills of lading the element of negotiability or assignability they now lack, and to make certain the rights and obligations, not alone of carriers and shippers, but of bankers and merchants who advance value on the security represented by the bill of lading.

In addition, therefore, to the proceeding before the Interstate Commerce Commission, we have been acting in unison with many commercial organizations for the purpose of securing such State and Congressional legislation, which now bids fair to be accomplished.

A number of the commercial organizations and bankers' bill of lading committees held a conference at Atlantic City, N. J., September 23, 1907, the attendance and proceedings of which are shown in Appendix No. 3.

After continued study and consultation on the subject a bill was introduced into Congress by Representative Maynard of Virginia, as H. R. No. 14934, and by Senator McLaurin of Mississippi as S. No. 4914, at the request of a committee of commercial organizations appointed at the Atlantic City conference.

This bill was given much attention by the House Committee on Interstate and Foreign Commerce. Four hearings upon the same were held, and a sub-committee, consisting of Congressmen Frederick C. Stevens, of St. Paul, Minnesota; William C. Lovering, of Taunton, Massachusetts, and Gordon Russell, of Tyler, Texas, was appointed to continue study of the matter, with instructions to report at the next session of Congress.

It is interesting to note that at one of the hearings before the house committee, Chairman Knapp, of the Interstate Commerce Commission, in answer to a request of Chairman Hepburn, of the house committee, said: "I am much impressed with the desirability of giving to these important agencies of commerce the degree of negotiability provided for in this bill."

One consideration only appeared to deter the Committee on Interstate and Foreign Commerce from making a favorable report and that was doubt whether Congress, under the Commerce

Clause of the Constitution, had the power to enact legislation of the character requested.

Our committee, its attorneys and the attorneys of the commercial organization have no doubt of the existence of such power (which has previously been exercised by Congress), in the enactment of the Harter Act, passed in 1893, covering ocean bills of lading, and more recently through the enactment of the Rate Bill of 1906, which contained a clause holding initial carriers liable for loss through damage; which clause has just been declared constitutional by Circuit Court of the United States, Western District, Arkansas, Fort Smith Division, in *Smeltzer vs. St. Louis & San Francisco Railway*, 158 Federal Reports, page 649.

The Maynard bill, the statement covering the same by Thomas B. Paton, and brief on the constitutional points involved, submitted by Henry W. Taft, of Strong & Cadwalader, are Appendix No. 4.

In continuance of the policy of keeping in touch with the work of the commissioners on uniform State laws, our counsel, Mr. Thomas B. Paton, this year again attended the session of the commissioners, with the expectation that they would agree upon their final recommendations covering bill of lading legislation for the several States.

The meeting was held at Seattle, Washington, and was also attended by Mr. P. C. Kauffman, chairman of the Committee on Bills of Lading, Washington Bankers' Association, but, in view of the fact that the new uniform bills of lading have so recently been recommended by the Interstate Commerce Commission and in view of the objections made by certain interests to some of the provisions of the draft of their bill, the conference decided that consideration be postponed for another year.

In connection with our committee's work, and for the purposes of assisting in securing national legislation, and at the same time be prepared to take up for State legislation such recommendations as may be submitted by the commissioners on uniform State Laws, there have been bill of lading committees appointed by State banking associations in twenty-five States, a full list of these committees being shown in Appendix No. 6.

The committee recommend the adoption of the following:

Whereas, The Bill of Lading Committee of the association has since its appointment been engaged in endeavoring to secure the acceptance by all parties at interest of a uniform form of order bill of lading; and

Whereas, It is manifestly most difficult to secure the approval of shippers, carriers and bankers to a form which would be ideal from the point of view of any single interest; and,

Whereas, The Interstate Commerce Commission on June 27, 1908, approved and recommended the adoption and use by all carriers subject to the act to regulate commerce, from and after the first day

of September, 1908, of two uniform bills of lading, one an "order bill" to be printed on yellow paper and the other a straight bill to be printed on white paper, the order bill and straight bill differing only on the front page thereof, the conditions on the back being the same in both cases; and,

Whereas, These bills have only been recommended after years of study and negotiation between a committee of carriers and a committee of shippers appointed at the instance of the Interstate Commerce Commission, and working in conference with that body, and in the conferences and negotiations leading up to the final agreement upon such bills, the representatives of the bankers have taken considerable part and such bills embody the amendments suggested by the Bill of Lading Committee of this association. And,

Whereas, The Uniform Bill of Lading Committee of the carriers in official classification territory have instructed that carriers in such territory "should arrange to employ the new forms exclusively on and after November 1, 1908," and have also transmitted these forms to all other carriers subject to the act to regulate commerce outside of official classification territory with the suggestion that these forms shall be adopted "in order that the greatest degree of uniformity in the usage of bills of lading shall be obtained."

Therefore be it

Resolved, That the American Bankers' Association desires to express its hearty appreciation of the action taken by the Interstate Commerce Commission, and, further, that it recommends to its members that after January 1, 1909, they only handle for value either order bills of lading issued by carriers in the United States on forms recommended by the Interstate Commerce Commission as order bills of lading and as described in the above preamble; or the so-called "clean" order bill of lading, without conditions, being the form recommended by the National Industrial Traffic League to the Interstate Commerce Commission on October 15, 1907.

Appendix No. 1. Briefs submitted to Interstate Commerce Commission, by attorneys, Professor Samuel Williston, R. E. L. Marshall and Thomas B. Paton, together with list of representatives of trade organizations who attended hearings.

Appendix No. 2. Order of Interstate Commerce Commission, June 27, 1908, with provisions of that body's recommended uniform bills of lading—one for order shipments and one for straight shipments.

Appendix No. 3. Report of proceedings, bill of lading conference, trade and financial organizations, Atlantic City, N. J., September 23, 1907.

Appendix No. 4. Draft of Maynard Bill, No. H. R. 14934, with statement covering same by Thomas B. Paton, and briefs in connection with the same by Henry W. Taft, of Strong & Cadwalader, New York city.

Appendix No. 5. Report of the American Bankers' Association Bill of Lading Committee to the Executive Council, May 4, 1908.

Appendix No. 6. Membership State Bankers' Association Bill of lading Committees.

CENTRAL TRUST COMPANY

OF NEW YORK

No. 54 Wall Street

Capital, \$1,000,000 Undivided Profits, \$15,172,646.78

J. N. WALLACE, President.

E. F. HYDE, Vice-President.

B. G. MITCHELL, Vice-President.

D. OLCOTT, Vice-President.

GEO. BERTINE, Secretary.

F. B. SMIDT, Asst. Secretary.

M. FERGUSON, Asst. Secretary.

Board of Trustees.

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James Speyer,

Henry D. Babcock,

Geo. Macculloch Miller,

Cornelius N. Bliss,

Jas. N. Jarvie,

William A. Read,

George Bertine,

James N. Wallace,

Detailed Report of Proceedings.

THIRTY-FOURTH ANNUAL CONVENTION, HELD AT DENVER, SEPT. 30 and OCT. 1, 1908.

FIRST DAY'S PROCEEDINGS.

Wednesday, September 30th, 1908.

The convention was called to order by the president, Colonel J. D. Powers, of Louisville, Ky.

President Powers: Gentlemen, the American Bankers' Association will come to order, and you will take your seats under the flags of your respective States. Members of the Executive Council, ex-presidents of the association and vice-presidents representing the various States are requested to take seats upon the stage.

The convention will rise and stand during the invocation by Right Reverend Charles S. Olmsted, Episcopal Bishop of Colorado.

PRAYER,

By Right Rev. Charles S. Olmsted, Episcopal Bishop of Colorado.

Let us pray. Our Father who are in heaven, hallowed be Thy name, Thy kingdom come, Thy will be done on earth as it is in heaven. Give us this day our daily bread and forgive us our trespasses as we forgive those who trespass against us, and lead us not into temptation, but deliver us from evil, for Thine is the kingdom, and the power, and the glory, forever and ever. Amen.

Almighty God, Father of the worlds and Lord of all mankind, Who art ready to bless all the works and institutions which seek to promote the welfare of communities and nations, behold with Thy gracious favor and bless this association of men who desire the weal of these United States of America and an honorable place for them among the great nations of the world. Give them wisdom and strength. May they continue to teach us lessons of uprightness and fair dealing, promptitude, sagacity, honesty, respect for law and all other things which help our business integrity and cause righteousness to dwell in our habitations. Show them this day how much depends upon their sense of right and of honor. Make them more and more the guardians of good faith and honorable dealing and through them, as well as through all other efficient agencies, build Thou up the walls and strengthen the gates of our beloved country. May peace and happiness, truth and justice, religion and piety be established among us for all generations. Give peace in our time. O Lord, and unite Thy people and all their enterprises in the blessed bonds of mutual fidelity and honor. And to Thee shall be all the glory and praise both now and forever, through Jesus Christ, our Lord and God. Amen.

President Powers: Gentlemen of the convention, I now have the pleasure of introducing to you the Chief Executive of the State of Colorado, Governor Buchtel.

Address of Welcome by Governor Henry A. Buchtel.

I count it a very great honor to have opportunity to voice the welcome of the State of Colorado to the American Bankers' Association. While you are here in Colorado you will be enlarged by the sight of our mountains, refreshed with our stimulating climate, amazed at the variety of our products of mine and factory and field, and charmed with our cosmopolitan people.

Before you left your homes you had learned that we in Colorado passed through the financial depression of last fall with less embarrassment than any other State in the union. Now that you are here you can learn all about this interesting fact from conversations with our Colorado bankers. The reason for this freedom from serious embarrassment is found in the fact that we lead all the States in the union in the production of gold which is coined at our Denver mint and put into circulation within three days from the time it is taken from the mine. This indifference to the financial depression of 1907 is in marked contrast with what happened here during the financial depression of 1893 when a New York draft had no value at all in this State. We had seventeen banks in this city when that storm of 1893 broke over our heads. All but five of those banks were wiped out by the fury of that wild tornado. The names of the five banks which could not be disturbed, when associated together, constitute an announcement of which we are all justly proud. Those five names are DENVER COLORADO FIRST AMERICAN CITY.

I am an optimist by nature and by grace. One could not live long in this State, described by President Roosevelt as the playground of the nation, without being an optimist. You know it is the privilege of an optimist to believe that the level of life in this nation, on the moral side, is rising higher and higher every year. And you gentlemen of the American Bankers' Association have had quite something to do and you ought to have still more to do with raising the level of our national life in morals and in commercial integrity. Do you think you appreciate adequately your responsibility to the life of the nation? Your moral quality and your integrity constitute the measure of the moral integrity of the nation's commercial life. So you have in your hands the fixing of the moral quality of practically all the business communities in the nation.

Your duty to the nation is very great at all times, but it is particularly great at a time like this when we are trying to find some way to eliminate from our life the periodical business depression. Do you think such periodical financial depressions are necessary? I do not ask whether such depressions are probable. I am asking whether they are really necessary. With the business of the nation conducted in absolute integrity and honor, might not the commercial life of the nation go on always like the life of a man in vigorous health who finds in each succeeding day a constant and a growing joy? If we shall ever come to the place where financial depressions are practically unknown, it will be because the bankers of America shall determine to exercise their vast power in eliminating from our commercial life all unsound speculative features. Sound business methods never include any roseate dreams of getting something for nothing.

We are indeed glad to welcome you to this land of sunshine and hope because all the discussions in all the sections of this great convention will make clearer and clearer the fact that financial depressions may be practically eliminated from our life. The people of the nation are expecting you to formulate the programs which must be carried out to keep the commercial life of the nation always in sound health. The confidence of the people in the bankers of America is shown in the fact that the deposits in your care aggregate approximately fourteen billions of dollars, while the total amount of money of all sorts in the nation is approximately only three billions of dollars.

In working out your plans for securing and maintaining sound health in the commercial life of the nation you will naturally consider the question of making all banks safe for all depositors. While you are making your vaults safe from assaults from the outside, you must also make them equally safe from assaults from the inside.

The Comptroller of the Currency is reported to have said in an address to Eastern bank examiners a week ago:

"I say to you emphatically that your work must be improved. Embezzlements have failed of discovery, defalcations and dishonesty have been concealed from you, and in many cases you have failed to correctly or even approximately estimate the value of the paper and securities held by the bank."

It is for you gentlemen of the American Bankers' Association to find a substitute for the inefficient and semi-political examination of banks which is now maintained. It is only by the expert and searching scrutiny of bankers themselves, with their staffs of men of experience and inside knowledge, that you can secure an adequate inspection of the condition of any bank. Is it possible for an inspector to know the value of paper which is signed by names which mean nothing to him? You must find the method of making banks strong and safe so that guarantees of deposits would be as unnecessary as guarantees of government bonds.

Another question which must have an adequate answer by you is the question of an elastic currency. The program which the nation will adopt will be that program which shall be approved by the American Bankers' Association. You must take time for it. You must study all the financial methods of the other great nations and you must come together yourselves in finding the way to give to this nation an elastic currency. Has the average politician any adequate equipment for the solution of this complex and great problem? You do not need the advice of a peripatetic and perennial candidate for office who shouts himself red in the face in explaining to you his method of providing a banking and currency system which shall serve the needs of the people in every emergency. You rather need the temper of the patient and honest student who, with all knowledge of history and of the present banking methods of the world, shall find for us what we need to handle the swiftly growing business of this richest nation in history. It is very evident that we can learn something from other nations when you recall what happened last fall. It required two months to bring one hundred millions of dollars in gold to this country from Europe, while the Imperial Bank of Germany increased its note circulation by the same amount in one week. Consider what an immense amount of harm would have been prevented if we, with our gigantic resources of real wealth, could have increased our available cash by one hundred millions in one week. Last November the Bank of England had only \$165,000,000 in gold reserves while the United States Treasury had \$900,000,000 in gold reserves. Yet we suspended cash payments while London was shipping gold to New York.

The clearing house methods which you have developed, without authority of law, have been an unmixt blessing for the commercial life of the nation. That clearing house certificate is an interesting document. It is a notice to the excited depositor

which reads in effect as follows: "Your money is here. It is all here. We are taking care of it for you. Go home and put an ice bag on your pulse. Walk out into the open and note the fact that we are living in a very, very beautiful world."

Could you not find another method of preventing the periodical financial depression by maintaining a definite propaganda for the education of the public mind? The American Medical Association sends a lecture into every part of the country to awaken interest in the prevention of disease. It might be supposed that physicians would be interested in having business good, but it is the American Medical Association which does more than all other organizations together to arouse interest in the question of keeping all the people well. The American Bankers' Association ought not to be behind the American Medical Association in interest in the public welfare. You ought to have in the service of the American Bankers' Association a few gifted men who would go into every part of the country and make clear the facts about banking and currency in lectures before commercial bodies, trades unions, schools, colleges, universities and people of all sorts and conditions. All the people need to be made to understand that you can not in one day or in one month pay fourteen billions of deposits with a sum total of three billions of cash.

We all believe that this republic will live forever. We all believe that we shall make here a nation that will become increasingly free, civilized, educated and religious. Your part is conspicuous in this glorious program of making a nation which shall be as great in moral integrity as it is great in material wealth. We all believe that the members of the American Bankers' Association will meet their obligations to the nation with large intelligence and with absolute sincerity.

President Powers: Ordinarily it is sufficient that the greater embraces the less, but Denver always speaks for itself, and, while the Governor has extended a welcome to you, Denver purposes on her own hook to extend a special welcome, and Mayor Speer I have now the pleasure of introducing to you for that purpose. (Applause.)

Address of Welcome by Hon. Robert W. Speer, Mayor of the City of Denver, Col.

Mr. President, Ladies and Gentlemen: Money is sought after more universally than anything in life, and it is but natural that the men who handle, and to a large extent control, the currency of the country should be looked up to by all classes of people. Denver as one of the newest cities of the country is especially glad to greet and welcome your association. You have heard of Western hospitality—it is only nature freed from restraints and formalities—an honest impulse coming directly from the heart.

Our city is young in years, but great in expectations. Her credit is good, because she has large assets and promptly meets her obligations. She has never overdrawn her account, and for size and age has a smaller debt than any other city. Her people intend that she shall be known everywhere for her health, her beauty and her hospitality.

In our journey through life we devote our energies, time and best thought along special lines; become experts in certain directions. Your views are sought after on financial questions, because that has been your special study. Some of us become so intent at our own work that we fail to fully appreciate and understand the work of others, and I think this applies to bankers as well as to other classes of citizens.

There are two kinds of currencies: One, issued by the government and sought after for what it gets; the other, issued from the heart and valuable for what it gives—*hand money and heart money*—they are both issued in all denominations so as to meet our every want. We are rated by the amount we gather in of the one, and give away of the other; in one case we are rich by getting, and in the other we are rich by giving.

There are debts and obligations which can and must be paid in cash, while there are others which can only be paid in deeds, kind words and good thoughts. These currencies are not interchangeable, and many mistakes have been made by trying to pay the debts of one with the money of the other. Injustice has ever been done by judging men by their heads and cash, rather than by their hearts and deeds.

I have known persons rich in one currency to be paupers in the other. Health, friends, honor and happiness have often been sacrificed for gold and silver, which only accompanies us to the grave; while heart money scatters sunshine and roses in this life, and passes death as an individual credit in the life to come. We judge men too much by their accumulations; the time will come when they will be judged more by their disbursements. It requires a greater man to rightly give away money, than to make it. It will not hurt the bankers of this country to occasionally stop counting gold and figure up their assets in heart money.

It is the earnest wish of our citizens that your stay on earth may be as pleasing as they want your sojourn to be in Denver; and that your journey after death may have as grand scenery and pleasant surprises as you will find on your trip through Colorado, the Switzerland of America.

President Powers: Governor Buchtel and Mayor Speer, I think I need hardly, on behalf of this magnificent assemblage, say that they thank you. They have shown by their attention and by their applause that they deeply appreciate the kindly

words of welcome that have been so delightfully expressed. Indeed, they feel more—they feel in their heart of hearts that you mean what you say, which is not always true of addresses of welcome. (Applause.)

Annual Address of the President, J. D. Powers.

According to custom, and that I may make report of my stewardship as President of your Association, I feel that it is but due that I should congratulate you upon your increased numbers as well as upon the enhanced importance and benefits of your membership in this Association; the purpose of which is to strengthen the hands of its individual members by mutual effort, and to afford such protection as is the outgrowth of co-operation. Our increased membership betokens the esteem in which your efforts in the past have been appreciated by your fellow-bankers throughout the country. Of necessity the bankers occupy a semi-official position in communities where located. We at once became the custodians of the funds of the community, and the general disbursing agency through which the commercial and manufacturing world, as well as the individual, meets current obligations. Your importance is measured by your activity, energy and integrity. It is highly important that these qualities be exerted for good. By reason of our position in the financial world, we owe it to ourselves no less than to the community in which we reside to give our best endeavors to the up-building of civic righteousness, inculcation of civic pride, and above all, we should aid in promoting those virtues which tend to ennoble the individual; and without which commercial integrity is impossible. We should bear our due proportion to the burdens of citizenship and aid in so shaping the policies of governmental regulation that the greatest good may be vouchsafed to the greatest number.

Within a few short weeks after the close of his labors as your president, Mr. G. S. Whitson, who served this Association with such fidelity and zeal, giving it that unstinted service which ever characterized him in whatever station he occupied in this life, died on November 24, 1907.

The knowledge of his death brought sadness to the hearts of most of the bankers of this country; and especially grieved at his loss were those who had been intimately associated with him in the work of the Association. He was indeed a man of high character and of unimpeachable honor and integrity. To represent you at his funeral. I appointed the following committee: A. B. Hepburn, J. M. Donald, Jas. R. Branch, Clark Williams, L. E. Pierson and F. E. Farnsworth, all of New York. And the following Ex-Presidents as an Honorary Committee: Jno. L. Hamilton, Logan C. Murray, M. M. White, Robert J. Lowrey, Geo. H. Russell, Walker Hill, Myron T. Herrick, Caldwell Hardy and E. F. Swinney.

Few men have been charged with greater responsibility than fell to the lot of Mr. Whitson. From his earliest years of manhood, when he began his work as clerk in a dry goods house; and soon thereafter beginning his career as a banker with the Bank of New York; later in 1868 taking a permanent place with the great bank of which he was Vice-President at his death; he was continuously for more than forty years in active and responsible positions; in all of which he acquitted himself with entire satisfaction to those with whom he was engaged, and with great credit to himself. He deserved and had the loving respect of all who knew him. Suitable resolutions have been adopted by the Executive Council, to commemorate his memory, in the records of the Association.

AMERICAN INSTITUTE OF BANKING.

About ten years ago this Association authorized the organization of an educational branch of the Association, which resulted in the American Institute of Bank Clerks. The work was so intelligently prosecuted that its new members not only took a lively, but beneficial interest in its growth, and organized Chapters throughout the country, made up of the bright, intelligent and thoughtful young men who were in the employ of members of this Association. They have recently taken on a new name differing slightly from their original patronymic, and are now called the American Institute of Banking.

To this Institute and its magnificent work we may confidently look for the improved, educated and broad-minded banker of the immediate future. Its work has been along the best possible lines of education and it has reached such magnitude in importance and numbers as to request to be admitted as a Section of this Association, and to receive in the future that which has been accorded to it in the past, the protection, encouragement and help of the Association. It is the outgrowth of your fostering care, and as our oldest and most cherished offspring, is in my judgment, entitled to full participation and representation in the Association, and should have special representation on the Executive Council. We have given of our bounty to the education, encouragement and up-building of its membership, and now that it is so abundantly able to stand alone and assert itself for good, I feel that it should be taken into full fellowship. Its members are young men of courage, pluck and ability. They have won their spurs in the battle of endeavor; they possess the requisite qualities of courage, education, industry and ability to create a demand for their services, and they are destined to march forward to that goal of success which will make us proud of their

achievements. They will go onward and upward, knowing that there is always room at the top for good and true men. I hope to see them installed as an integral part and special section of this great organization.

Within the past year the bankers of this country were confronted with conditions that were fraught with so much of danger and uncertainty, that when we take a retrospective view of the incidents and dangers of the panic of last fall, we are gratified at the courage, tact and ability of those who kept cool heads and clear judgment, which enabled them to weather the storm of disaster which was widespread over the country; originating at the center of finance, where the greatest havoc was wrought, then moving westward from the Atlantic with electric speed, caused the whole country to appreciate that the deluge was upon them, without warning from the signal service and without preparation. The sequel, however, proved that the tornado had been gathering for many months prior to the great catastrophe, which was precipitated the last days of October, when none were so ignorant of conditions as not to be quickly anxious to put their houses in order, to protect themselves from dread calamity that looked for a while as though it would engulf all before it. But, be it said to the everlasting credit of the great majority of bankers, they displayed a heroic courage and maintained a self poise under great pressure which enabled them to pass through the weeks and months of disaster, and finally to emerge from the wreck and ruin that had been wrought in a manner creditable to their ability, integrity, courage and sound conservative judgment.

Few financial storms occur without attending benefits frequently greater than the disaster wrought. The financial atmosphere was cleared. The unhealthy conditions that surrounded many banking institutions in New York required just such heroic treatment to allay the money-mad fever which had possessed them, and the surgery employed by the clearing house, while a drastic remedy, prevented the spread of the contagion and reduced the frenzied financiers to a condition of sanity, and in many cases to poverty as well. As a rule, those who were forced to the wall were the architects of their own ruin. It destroyed the fallacious view entertained by many, that wealth could be created by the automatic inflation of prices without reference to either supply or demand.

To relieve a congested market, by increasing the price of the product beyond the ability of the consumer to pay, was so completely in contravention of the law of supply and demand that it quickly brought to grief those who attempted it. This was thoroughly illustrated in the case of the manufacturers of copper for industrial purposes. The banks suffered by allowing the borrower rather than the lender to fix the price of collaterals pledged for loans. These great lessons of panics seem to be necessary to the proper education of business men periodically, and it is to be hoped that the lessons learned in 1907 will not be forgotten for a long time to come. Now, that the panic is behind us, let us look to the needs of the present. Let us do this by a calm and dispassionate examination into our general banking and financial policy, and especially as to our currency system. I do not believe that this can be successfully accomplished through the ordinary channels of mere legislation. It must be the work of experts qualified thereunto by experience, and not by mere theoretical financiers who chance to be such by reason of their official or political positions. They should be men who understand the necessity for and importance of ridding the government and the country of the dangerous legal tender greenbacks, by their final redemption and retirement; by a sane and safe means of gradual change from our bond-secured currency to a system that has been proved sound by the experience of other countries. Our greenbacks were the outgrowth of conditions made necessary by the Civil War, which required an emergency currency; to the same source we owe our bond-secured currency, which has served its purpose fairly well, but the necessities of the country and the necessary flexibility of our currency require a different and more scientific basis.

The banks of the country have for years borne the burden of the bonded indebtedness of the Government. We have made a market for two per cent. bonds in this country as a basis for circulation. These bonds, without the support of the banks, would to-day sell in the market at least 20 points below par. And yet the banks have created a market at four points above par for these bonds. In all periods of the history of this country, the banks have come to the rescue of the government and sustained its credit. Yet the blatant political demagogue is ever ready to insist that the government sustains the banks. No war has ever been fought by or in this country the sinews of which have not been furnished by the banks, and upon a debit and credit account, for services rendered between the banks and the government, it would be demonstrated that the government is largely the debtor of the banks.

The business as well as the interests of bankers has been menaced for years by ill-advised, unfair and unjust legislation. This was made most manifest in the efforts to pass an emergency currency bill a few months ago in Congress, when after weeks of effort to construct a measure of general and practical relief, based on the views of experienced legislators, the Senate sent to Congress for its concurrence a bill so impracticable

and revolutionary in its provisions that the Banking and Currency Committee of the House refused its approval, and then began a scramble to enact a bill purely for political consumption, and one that differed so widely from the original bill which was offered, that it showed little kinship with the parent effort, and became a mere political measure for use in the pending Presidential campaign. For the protection of the interests over which we are custodians, it is one of the duties imposed upon us, which should by no means be neglected, to defend ourselves and our business from those who pander to the multitudes for selfish ends, and who seek to sway the people by vainglorious oratory in their appeals to the prejudices of the people, whose suffrage, rather than whose welfare, they earnestly seek. The Banking as well as the Commercial interests of the country have met and overcome many of the vagaries put forth for political effect; but one of the most serious and altogether misleading, if not dangerous propositions with which we have been confronted, is that of Government Guarantee of Bank Deposits. By the chief exponent of this latest political fad we are told that all that is necessary in order to inaugurate the Financial Millennium is to pass a statute guaranteeing Bank Deposits, and then proceeds with this preamble: "What the people need is a system whereby both State and National Banks will be compelled to guarantee depositors," and that as the "United States Government, the State, the County and the City require security when they entrust money to the bank on deposit, and even the banks require surety from the officials who handle money," then "why should the depositor be left to take his chances?"

All money of the Government, State, City and County, is primarily under the control and in the custody of officials who are required to give bond for its safe keeping, and when, for any reason, these bonded officials are required to turn over this money to Depositories, either for the interest that may be earned, or for the convenience of disbursement, they are required to take bond from this new custodian or disbursing officer, so that the Government, States, Cities and Counties do not become depositors in the ordinary sense. The banks receive from them moneys to be repaid according to contract, and furnish surety when demanded either by a deposit of collateral, a guaranty bond or personal security. The depositor must look about him and measure the security afforded by the bank, its capital stock, double liability of stockholders and surplus, and estimate the character and ability of its officers, and must judge for himself where he can best intrust his money. This is a Government of free and independent States, inhabited by free and independent people. The Declaration of Independence and the Constitution of the United States never were made nor framed to create a paternal government, but to protect the citizen in his inalienable rights as a free man, and we do not believe in dwarfing the manhood of the American citizen by Governmental regulation of his private, fiscal or domestic affairs. The stockholder and the depositor are attempted to be arrayed against each other, when in good truth there is no conflict between the two. The stockholder, by the employment of his capital, and his credit to the extent of his stock, and the surplus created by his investment, creates the bank where the depositor, not only without cost to himself, but too often by receiving excessive compensation therefor, may place his funds for his own accommodation and benefit, and for the convenience of himself and those with whom he has transactions, yet we are told that "the stockholder is not compelled to buy stock, while the depositor is compelled to use the banks, both for his own sake and for the sake of the community, for only by using the banks can he keep his money a part of the circulating medium."

A more sophisticated and fallacious argument could not be advanced with reference to a serious proposition. If the depositor is to have a place where he can, both for his own sake and the sake of the community, use the banks, then somebody must create the banks that he may be enabled to get the use thereof. The stockholder invests his money in the stock of the bank, primarily for gain, and secondarily for the use and convenience of those who use the bank. The depositor places his money in the bank for its greater security, for the interest he may get on it, and for the greater convenience of trade and commerce. The one being absolutely essential to the other, therefore there is no conflict between the two. Let us see what the stockholder does for the protection of the depositor. Before the depositor can suffer any loss whatever upon his claim against the bank, the stockholder must lose not only his original investment in the stock and the accumulations in the way of surplus upon that stock, but must suffer liability equal to the full value of the stock. We are likewise told by the advocates of the guarantee proposition, that "there are only 20,000 banks, while there are 15,000,000 depositors," and that they "do not hesitate to declare that in a conflict between the two, the depositors have a prior claim to consideration." And they say further, "with the owners of these 20,000 banks as stockholders, there are probably 1,500,000 or only one-tenth as many as there are depositors." Therefore "the guarantee law brings the greatest good to the greatest number." Upon the same principle, the socialist who advocates "taking from him who hath and giving to him who hath not," would take by statute from ten selected men \$100,000,000 and divide it out

among 100,000 men who had nothing at all, giving them from this confiscated money \$1,000 each, and justify it by saying that this process brings "the greatest good to the greatest number." Such doctrine, carried to a legitimate conclusion, would mean the disruption of this government and the turning back of the wheels of progress to a point, equaled only by that period when the doctrine was that "might made right."

What an opportunity was lost to the inventive genius of the wily politician when the great exposure of the rottenness and corruption in Life Insurance was unearthed in 1905, because it occurred immediately after instead of immediately before a presidential election. What wonders in political jugglery could have been wrought out of that situation. He would have said: "An Insurance Company seeks to insure your life on the theory that upon your death the amount of insurance will be promptly paid to your beneficiary named in the policy, and the laws ought to make the facts conform to the theory." Then with what an agonizing demagogic spasm he would have proclaimed: "The insured, the Country and the Company itself would be benefited by legislation which would give to each policyholder that which is promised by the Company will be available to meet the requirements of the widow, the orphan or other beneficiaries. There are only 159 Life Insurance Companies, while there are twenty-five millions of policies in the hands of the insured, and he would not have hesitated to declare "that in a conflict between the two, the policyholder has a prior claim to consideration," and that, "the Guaranty Law therefore brings the greatest good to the greatest number, as well as to them who have the greater equity upon their side."

I am well aware that very many good men, at this time, without reference to political affiliation or party ties, are inclined to the opinion that the Guarantee of Bank Deposits is not only proper, just and right, but for the general good of the country, and such was the conclusion of very many men in the early stages of the free silver heresy. But there was soon a great awakening when the fallacy of "16 to 1" became thoroughly exposed, and so it will be with the Guarantee of Bank Deposits. It is true that for considerable time, it was a question which great political party would first adopt the free silver craze as a part of its platform, but the education of the people was certainly rapid, and caused the party now in power to get from under the load and leave it to its rival to exploit the free silver movement, which it did to its serious loss, but to the ultimate gain of the country.

As early as 1893, and in the midst of the panic of that year, the great apostle of free silver turned prophet, and in the Congress of the Bankers of the World at Chicago in June of that year solemnly prophesied: "If we decide to tie ourselves to a single Gold standard, there is not a man here young enough to live to see better times." A false prophet then, and not to be trusted as a prophet now.

Except for the recent panic, we would have heard nothing whatever of the Guarantee of Bank Deposits in this presidential year. But in all likelihood, those who are now preaching the doctrine of Guarantee Deposits would have been the earnest advocates of government ownership of railroads. It is most unfortunate that the business of the country is to be made the plaything of office seekers, politicians and demagogues, who seek to ride into power and acquire place even at the jeopardy of the best interests of the whole country.

With the Guarantee Deposits, what incentive would there be for banks to pile up a large surplus? They certainly would divide out the surplus, which amounts in the National Banks alone to more than \$750,000,000, among the stockholders. Why should any bank seek to accumulate surplus if the credit and standing of all banks is to be measured by statute, without reference to the amount of its capital, surplus and undivided profits. Certainly under such conditions stockholders would not permit their surplus to remain undistributed, to be the subject of attack and to make good the losses of recklessly managed banks. You are urged, by these advocates of Guaranteed Deposits to look at what wonders it has worked in Oklahoma. It is impossible to estimate the conditions that would be so radically changed by the opportunities afforded for reckless banking and wild speculation, that any percentage, figured on past experience of bank failures and losses to depositors, would be so wide of the mark as not to afford even a good basis for a guess. How utterly absurd to call attention to the experiment of Oklahoma in guaranteeing Bank Deposits with its little more than six months' experience, and that immediately following the lessons of the panic. It is about in keeping with the advice of the man who sent his neighbors to the roof garden to see how the drought affected vegetation. If you would look for experience in Guaranty of Bank Deposits in this country, see what happened in New York under such a law in 1840-1842, then multiply it by the difference between New York banks then and now; find the pro rata of the balance of the country and add that to the sum of New York, and you may have an approximate idea of the immense harm, not to say ruin, that would most likely be wrought by this inequitable, absurd and foolish movement, once it is fixed by statute.

The Legislature of New York in 1829 passed an act permitting the incorporation of safety fund banks, and assessing one-half of one per cent. per annum on their capital stock.

This law was intended merely for the protection of note holders, but the law read "notes and other debts," and after a while the courts decided this to mean all liabilities of the banks, including their deposits, and then it was known that the deposits were guaranteed by the State.

Mr. John J. Knox, in his history of banking, says, "When it was found that all of the debts of every description were to be paid from it (the fund), a fictitious credit seems to have been given to the chartered institution, which was used by some of them in recklessly contracting debts for the emolument of their managers." For some time after the enactment of this law, it seemed, like the Oklahoma experiment, to have worked admirably as well as rapidly, and history tells us that immediately, "the stocks of the new banks were sought for with much eagerness, both by investors at home and from other States. The contest for the control of the institutions had the effect of increasing the number of subscriptions, and the bank commissioners speak of the number of applications for new acts of incorporation as far exceeding any prudent calculations of profitable investment." This condition continued until 1840, at which time the capital subject to the law in New York was nearly \$33,000,000, and "the fund" was \$861,000. The whole number of banks was 90. From 1840 to 1842, eleven banks failed and the claims were so large that they could not be satisfied from this fund. It is stated that the first three banks, in the order of their failure, exhausted the entire amount collected, and the State was obliged to issue nearly a million dollars of its six per cent. bonds, with which the debts of the insolvent banks, in excess of the fund, were paid, and the banks were obliged to continue the annual payment of one-half of one per cent. on their capital for about twenty years, in order to repay the State for the sum advanced. This Guaranty Fund in New York proved not only a dismal failure, but the operations under it showed the reckless banking and speculation which ensued by reason of it.

It worked a most serious injury to the whole business community, by encouraging fictitious credits and creating an overweening desire in speculative and adventurous men to control the then large deposits which were the outgrowth of the law.

Now for a brief contrast between the politically made law of New York and the plan devised and carried out by the bankers of New England contemporaneously with it. The New England bankers provided a plan to protect and keep at par the banknote issues of New England. They provided that the Suffolk Bank in Boston be made a redemption agency for the notes of a chain of banks throughout New England. In 1858 the circulation of New England banks did not exceed forty millions of dollars, and the redemption for that year amounted to four hundred millions, thus making the average redemption of all notes ten times per year. This system was not regulated by law, but was inaugurated and carried through by bankers, who preserved the circulation at par with gold and prevented losses by only a small fraction of one-half per cent. of the total amount of circulation. This is illustrative of the question of bank deposits, for the reason that at that time notes did much of the work that deposits do to-day. In good truth, it is immaterial under such a currency regulation, whether the deposit is represented by credit on the books of the bank or in the acceptance by the depositor of a note, which is a mere promise to pay, as is the deposit account. In that day the test of the bank's solvency was the frequent redemption of its notes, and to-day it is the daily redemption of deposits, checks, drafts, etc., through the Clearing House, that establishes the soundness of a banking institution; "any law, such as that guaranteeing bank deposits, which gives to the holder of a check, or draft, assurance that it does not jeopardize his interest by retaining these evidences of indebtedness in his possession, instead of putting them through for redemption, would interfere with this constant test of solvency, and would permit many unsound and improperly managed institutions to continue in business long after they should have closed their doors."

Take this simple sum, and argue from it if you can that there is inequity, discrimination or unfairness to the Depositors; given 20,000 banks with capital and surplus of four billions of dollars, owned by 1,500,000 stockholders and 15,000,000 depositors with an aggregate deposit of thirteen billions of dollars, and you will find that the average stockholder must lose more than \$2,500 before the average depositor loses a single cent. Figure this out and then apply the broad principles of equity and say, if you are going into the protecting business, which has the greater claim for guarantee, the stockholder or the depositor? But the ever ready sophist will tell you that the stockholder went in for gain and should take his chances like other people who venture, but the poor deluded depositor must be protected by Government regulation. We all remember the protection afforded the poor negro in the Freedman's Bank, and if you will put the banking business under the patronizing wing of the politicians, as was done in the case of the Freedman's Bank, you will fare little better than your colored brother, who was regarded as smart enough to enjoy the franchise, but who was thought, in financial matters, to need a guardian; he got the guardian, and the guardian got his money and kept it. To protect the depositor, the stock-

holder makes his claim subordinate to the claim of the depositor. Then it is a fact well-known to the bankers that a large proportion of these very deposits are from loans made by the bank to its customers. Is it equity to give a guaranty to the depositor and not to guarantee the debt due to the bank for this money furnished to the depositor? It is proposed by these financial tinkers to compel an unwilling partnership for loss or gain. But solely on losses I must stand a part of the loss, but no part of the gain, and I must have no control over the conditions that produce the loss. This great leveling process simply means that the good bank shall be no better than the bad, and that bad banks shall be as secure and as good as the best. How absurd! How unjust! How un-American!

Take the platforms of the two great political parties and compare them and you will find so slight a difference, except on vote-catching planks, which are so rotten that they are not expected to last beyond the election, that the whole question for business men and true patriots North, South, East and West should be: Where will I find the greatest safety for my property rights, the material welfare of the Nation, the advancement of trade and commerce, the preservation of liberty and equality before the law, and the greatest hope of general prosperity, and there abide until you can do better. Leave the "buncombe" to the demagogic politicians who are responsible for its existence.

We should make ourselves felt as well as seen. Let us begin a vigorous campaign of education among our stockholders and among our self-respecting depositors and among the millions of depositors in savings banks which have no capital stock, but wherein each depositor is a shareholder in the profits of his society or association for savings in proportion to the amount of his deposit and from whom the guaranty of deposits law, if passed, would take millions of dollars, without any resulting benefit whatever. On their deposits of thousands of millions of dollars they would be forced to pay this tribute to sustain badly managed speculative banks which fail because of recklessness and mismanagement. Awaken their manhood by showing them the attempt by sophism to depreciate their intelligence and dwarf their manhood, no less than beguile them into an un-American, unrighteous and undemocratic political trap, set solely for political game, and bated with false hopes, false doctrine and false pretenses. If there be those among us who believe that safety and security is to be found in this apostles' creed of wrongdoing, let them stand undisturbed as monuments of safety, in which error of opinion may be tolerated. The will of the majority should certainly prevail, but that will, to be rightful, must be reasonable.

In conclusion, I appropriate the words of my political patron Saint, in concluding his first inaugural address:

"And may that Infinite Power which rules the destinies of the Universe lead our Councils to what is best, and give them a favorable issue for your peace and prosperity."

Mr. E. D. Durham, of Onarga, Ill.: Mr. President, I hold in my hand a telegram just received which, with your permission, I would like to read.

President Powers: Read it.

Mr. Durham: It is dated at Louisville, September 30, 1908, and addressed to Col. J. D. Powers, President of the American Bankers' Association, Denver, Col., and reads as follows:

"The National Association of Credit Men sends greetings to the American Bankers' Association and stands shoulder to shoulder with them in the effort to improve business morals and strengthen the entire commercial fabric of the nation."

This is signed "Frank M. Getty, President." (Applause.)

Mr. John L. Hamilton, of Hoopston, Ill.: I move that the secretary be instructed to acknowledge the telegram and in return convey to the National Association of Credit men the greetings of this convention.

Mr. Lewis E. Pierson, of New York: That is an association which has done valuable work and I take pleasure in seconding the motion made by Mr. Hamilton.

President Powers: Gentlemen in favor of the motion will so express themselves by rising.

Carried.

President Powers: Mr. Secretary, what is the next business before us?

Mr. Joseph Chapman, Jr., of Minneapolis, Minn.: In order that the convention may proceed in proper order, Mr. President, I move that the printed copy of the program which is in every seat in this hall be made the order of proceedings of the convention.

Mr. J. T. Trenery, of St. Joseph, Mo.: I second the motion. President Powers: Those in favor of the motion will signify it by saying Aye; those opposed to it, No.

Carried.

President Powers: The annual report of the secretary is the next order of business.

Annual Report of the Secretary.

(The report of Secretary Farnsworth will be found on page 109.)

President Powers: The report will be received and placed on file.

Annual Report of the Treasurer.

President Powers: Next in order is the report of the treasurer.

Mr. A. A. Crane, of Minneapolis, Minn., treasurer of the Association: Mr. President and Gentlemen, you will find my report as treasurer of the association printed in full at page 6 of the little pamphlet entitled "Reports" which has been distributed throughout the hall. I will not read it, but simply call your attention to some of the principal facts contained in it.

The cash balance on hand September 1, 1907, was \$5,771.54. The total income of the association for the year was \$156,741.73. During the year the association invested in New York City registered corporate stock \$25,506.67. The expenses of operation of the association were \$135,083.40, making a total of \$160,590.07. Leaving a cash balance on hand September 1, 1908, of \$1,922.20.

On September 1, 1908, the secretary forwarded to the treasurer for collection 9,119 drafts on account of current membership dues, amounting to \$151,040, and of that amount there had been collected up to the 25th of this month \$129,050, and the cash balance on hand at the present time is approximately \$115,000.

For investment the association holds the following stocks and bonds, which I deposited with the Bankers' Trust Company of New York City as per authorization of the Executive Council: \$10,000 4 per cent. Government bonds of 1925; \$30,000 Atchison, Topeka & Santa Fe 4 per cent. bonds of 1925; \$50,000 C. B. & Q. 4 per cent. bonds; \$30,000 New York City registered corporate stock due 1940.

An inventory of the furniture and fixtures belonging to the association shows them to be about \$5,000 in value, but they are not carried as an asset owing to the fact that they were charged off at the time of their purchase.

(The complete report of the treasurer will be found on page 110 of this publication.)

President Powers: Unless objection is made, the report of the treasurer will be received and filed. The Chair hearing no objections, it will take that course.

Next in order is the report of the Auditing Committee.

Report of Auditing Committee.

Mr. F. H. Curtiss, of Boston, Mass.: Mr. President and Members of the Association. Your committee begs leave to report that it has examined the verified statement of the firm of certified public accountants covering the examination of the books, accounts and vouchers of the American Bankers' Association for the fiscal year ending August 31, 1908, and has compared the accountants' report with the statement of the treasurer. The committee finds the cash balance and securities to agree, but there are certain small differences which your committee has been unable to reconcile owing to the system of bookkeeping employed in the secretary's office. In reference to these differences your committee has made recommendation to the Finance Committee covering the same.

President Powers: Unless objection is made the report will be received and placed on file. There being no objection, it is so ordered.

Next in order is the report of the Executive Council.

Mr. Lewis E. Pierson, of New York, chairman of the Executive Council:

Report of Executive Council.

(The report of the Executive Council is printed on page 116 of this publication.)

President Powers: The next report to be presented is that of the Protective Committee. The Protective Committee has no chairman, for a very sufficient reason, as you gentlemen all understand; but the secretary of the association will make a brief statement as to where you will find the report.

Report of Protective Committee.

Secretary Farnsworth: I will not burden you with reading the report of the Protective Committee. It will be found beginning on page 7 of the pamphlet containing "Reports," copies of which have been distributed throughout the convention hall. This is a brief report of the Standing Protective Committee.

There has also been distributed throughout the hall copies of the report made by the Pinkerton Agency, the agents of the association, which is a very full report and shows the work that they have done for the Protective Committee during the past year.

(The report of the Protective Committee is printed on Page 110.)

President Powers: This report will take the usual course and be received and placed on file.

Report of Committee on Uniform Laws.

The next report in order is the report of the Committee on Uniform Laws, which will be presented by Mr. George F. Orde, of Minneapolis.

(The report of the Committee on Uniform Negotiable Instrument Law will be found on page 117 of this publication.)

President Powers: Next is the report of the American Institute of Banking by Joseph Chapman, Jr., of Minneapolis.

Report of the American Institute of Banking.

(We print the report of the American Institute of Banking on page 117.)

President Powers: This report will be received and placed on file in the usual course.

Secretary Farnsworth: The Organization of Secretaries will meet at four o'clock this afternoon in the Brown Palace Hotel immediately after the close of the address of President Wilson of Princeton University.

President Powers: Next in order is the report of the Committee on Bills of Lading, which will be read by the chairman of the committee, Mr. Pierson, of New York.

Report of the Committee on Bills of Lading.

(The report of the Committee on Bills of Lading will be found on page 118.)

Mr. E. C. Kauffman, of Tacoma, Washington: I feel that the American Bankers' Association owes a debt of gratitude to every member of the Bill of Lading Committee for the valuable work that they have done on this most important matter. I am sure from the results already accomplished that it will be only a matter of a few years when we may look for the enactment of State and national legislation that shall render such a bill of lading absolutely safe as collateral for loans.

Inasmuch as the report just made contains a number of recommendations and resolutions, I would like to offer the following resolution:

Resolved, That the report of the Bill of Lading Committee be accepted and the resolutions and recommendations therein be adopted by this convention.

Mr. J. K. Ottley, of Atlanta, Ga.: I second the adoption of that resolution.

President Powers: Those in favor of the adoption of the resolution offered by the gentleman from Washington will manifest it by saying Aye; those of a contrary opinion, No.

Adopted.

Mr. John L. Hamilton, of Hoopeston, Ill.: I wish to announce that a meeting is desired of all gentlemen who have served upon the Executive Council of the association during the past year, which meeting is to be held on this platform immediately after the adjournment of the convention this noon for the purpose of organizing a social club, of which doubtless you have heard.

President Powers: Gentlemen interested will take notice of this announcement. The next order of business is the report of the Standing Law Committee, of which Mr. William J. Field is chairman.

Report of Standing Law Committee.

Mr. Thomas B. Paton, of New York: Mr. President and Gentlemen—In the absence of Mr. Field and in behalf of the committee, I present the report. I will not take up the time by reading it, as it is printed and has been distributed through the hall.

[For report of Standing Law Committee see page 114.]

President Powers: Next in order is the report of the Committee on Express Companies.

Mr. E. D. Durham, of Onarga, Ill.: I move that the consideration of this report be deferred until the afternoon session.

President Powers: If there is no objection it will be so ordered.

The hour of adjournment having arrived, the convention will take a recess until 2 o'clock.

Adjourned until 2 P. M.

AFTERNOON SESSION.

President Powers: The convention will be in order. We will now receive the report of the Committee on Express Companies, of which Mr. Fred. Kent is chairman.

Report of Committee on Express Companies.

Mr. Thornton Cooke, of Kansas City, Mo.: The chairman of the committee is not present. In your service he has been abroad, and he returned to this country too late to attend this convention. Mr. Kent has forwarded an admirable report, rich in detail, and which will be put in shape in time for publication in the proceedings of the convention. I will simply inform you of the salient facts that will appear in it. Pursuant to the directions of the convention two years ago, to prepare a test case and submit it to the Interstate Commerce Commission, a case was prepared and with great thoroughness, and a preliminary hearing was held in New York before one of the members of the Interstate Commerce Commission last spring. There we established that there is growing up in this country a great branch banking system operated by the express companies which competes unfairly with the banks. Such competition is vicious, as you all know. The express companies were surprised at the thoroughness with which we put our case before the commission. They moved to dismiss our case, but the motion was denied. There is to be a further hearing before the Interstate Commerce Commission in Washington on the 15th of October.

Now, our chairman has just returned from abroad where he has concluded arrangements with the principal countries of

Europe for the issue of an American Bankers' Association's traveler's check, which we are preparing. We are ourselves going into competition with the express companies and will fight them with their own weapons. We are preparing and getting in shape an American Bankers' Association money order. In these ways we expect to meet the competition of the express companies, whether we succeed in our fight against the express companies or not.

Mr. E. D. Durham, of Onarga, Ill.: I want to supplement what has been said by reading a letter that has been received by one of our members from the American Express Company. It is dated September 25, 1908, just at the time of our convention. This is addressed to the Cherokee State Bank, Cherokee, Iowa, and reads as follows:

September 25, 1908.

Cherokee State Bank, Cherokee, Iowa.

Gentlemen: It is at present the custom of your bank to remit check on yourselves or on your banking correspondents as cover for the sale of foreign drafts, travelers' checks, letters of credit and whatever other financial paper you have as supplied by the American Express Company.

It seems to us that you would find it much more convenient and advantageous to open an account with us, against which all settlements could be debited, thereby avoiding the frequent drawing of checks.

We believe you also act quite often as guarantor upon sales of our travelers checks and letters of credit. It would be to our mutual convenience, we think, to debit your account rather than to draw upon you as we have been accustomed to do heretofore.

Cable transfers and postal payments for places abroad made under your instructions could be readily settled for by a charge against your account, of which you would be at once advised.

Entries on your books in such an account as we suggest would keep you informed of the extent of your foreign-exchange business. Should you at any time desire to withdraw any part or the whole of your balance, drafts against the treasurer, American Express Company, New York, would, of course, be entirely in order.

Again, should you so desire, we could arrange by letter or wire, at current shipping rates, to make your balance immediately available at any of the principal cities of the United States and Canada.

Should you find it desirable to open a current account with this company, we would allow 3 per cent. interest on your balances until further notice when same amounted to \$5,000 or more; on balances under \$5,000 you would receive interest at 2½ per cent. per annum. Interest would be credited monthly.

We might also say that we are prepared to purchase whatever foreign bills you have and to handle your collections, both foreign and domestic, to the best advantage.

We trust that we may have the pleasure of a favorable reply, and remain,

Yours very truly,

(Signed by treasurer at 65 Broadway, New York. Cannot make out signature.)

If that is not an open deft, then I don't know what is. The express companies ask us to help them in the very competition which we are complaining of.

President Powers: Next in order will be the report of the Committee on Federal Legislation.

Mr. Arthur Reynolds, of Des Moines, Iowa: In view of the fact that a number of resolutions have been referred to this committee upon which they have not as yet had time to act, we ask that our report be deferred until to-morrow morning.

President Powers: Without objection it is so ordered.

President Powers: The Committee on Uniform Stationery and Tints will now report through its chairman.

Mr. John Schuette, of Manitowoc, Wis.: We regret that our report is not as favorable as we expected it would be. When I offered the resolution at Atlantic City, providing for different colors in our bank notes, I anticipated that it was easy of attainment, but lo! when approaching the cold wall of the United States Treasury we struck a snag as the officers did not approve of the plan for which I had expected to receive the thanks of a whole nation.

I conceived the plan under a peculiar incident. Once upon a time I had resolved to have a tooth pulled, but I dreaded the operation. I made several attempts, went around the dentist's block, up one-half the stairs and down again, when finally in the room I was glad to find the dentist occupied. My wife called me a baby or coward. Then I resolved it must come out; took a good horn of whiskey, rushed upstairs like a wild Indian, sat down in the slaughter chair, and dared the dentist to do his best quick. Before I knew it, it was out. I felt so happy and proud of myself that I grabbed a bill out of my vest pocket and gave it to the dentist, who told me to wait for my change. I said, is it really out? Then keep it. When on my way to my bank it occurred to me that it might have been a \$100 bill, but was pacified by my son that it could not have been more than a \$20 bill. So this was the inspiration for the resolution to have different colors which we can distinguish without glasses.

Report of Committee on Uniform Stationery and Tints.

[The report of this committee appears on page 118.]

President Powers: Next in order is the report of the Committee on Voucher Check, of which Mr. Hollister is Chairman.

Report of Committee on Voucher Check.

[We print this report on page 118.]

President Powers: The report will be received, without objection, and filed.

We will now receive the report of the Committee on Credit Information.

Mr. William A. Law, of Philadelphia, Pa.: I am sorry that Mr. Talbert, chairman of the committee, is not here to read this report in person, because he has taken great interest in the matter. The report is as follows:

Report of Committee on Credit Information.

[The report of the Committee on Credit Information will be found on page 113 of this publication.]

President Powers: The report will be received and filed.

Next is the report of the Committee on Constitution.

Mr. F. O. Watts, of Nashville, Tenn.: Mr. President, I feel that the courtesy is due our distinguished guests who are to address us this afternoon and that we should not longer delay with these reports, and I suggest that the report of our committee be made the special order of business upon convening to-morrow morning.

President Powers: Unless there is objection, that may be done. Hearing no objection, it is so ordered.

It is now my pleasure to introduce Mr. B. E. Walker, president of the Canadian Bank of Commerce, of Toronto, Ontario, who will address us on "Abnormal Features of American Banking."

"Abnormal Features of American Banking," by B. E. Walker.

[Mr. Walker's address in full will be found on pages 97 to 108.]

President Powers: Gentlemen, it is my privilege and pleasure to introduce as the next speaker the president of Princeton University, Woodrow Wilson, who will address us on "The Banker and the Nation."

Mr. President and Gentlemen of the American Bankers' Association: I would not properly represent my feelings upon this occasion if I were not first to express my very deep appreciation of the courtesy and of the honor of the invitation to address this association; and I take it for granted that there will, in listening to me, be a certain element of refreshment for you, for I am not a banker, and I am, in fact, in such an absolute attitude of impartiality with regard to banks as must belong to a man living upon a salary.

I am here in the hope that we may by conference together a little better understand the relationship in which we stand to the country as a whole.

"The Banker and the Nation," by Woodrow Wilson.

[President Wilson's address in full will be found on pages 94 to 96.]

President Powers: Shall we proceed to the last item on our program for the day? No questions have been received for discussion.

Mr. Thornton Cooke, of Kansas City: Mr. President, I move that we adjourn until to-morrow morning.

The motion was seconded and carried.

President Powers: Gentlemen, I want to remind you that to-morrow we are scheduled to begin at half past nine o'clock, and I trust every delegate will be prompt in attendance.

Adjourned to Thursday, October 1, 1908, at 9:30 A. M.

SECOND DAY'S PROCEEDINGS.

Thursday, October 1, 1908.

President Powers: Gentlemen of the convention, we were to convene at half past nine o'clock. It is now ten o'clock and while members are slow in coming in, we must get the convention in shape to go ahead with our business. I will ask the members of the convention to rise while Rev. Dr. Coyle, of the Presbyterian Church, delivers the invocation.

PRAYER.

By Rev. Robert F. Coyle, D. D., Pastor of the Central Presbyterian Church of Denver, Col.

Almighty God, our Heavenly Father, we are the creatures of Thy bounty. We feed at Thy table. Strong or weak, rich or poor, high or low, all are dependent on Thee. Whatever we have of blessing, whatever we have of human happiness, whatever lifts and inspires us and makes us better and stronger men, we owe to the thoughtful love of God. The gold and the silver are Thine, and the cattle upon a thousand hills. Help us to remember Thee, our God, who giveth us power to attain material wealth and prosperity.

May that blessing rest upon our beloved country, upon those who represent its policies and principles and who direct its affairs both in the nation and in the State.

Let Thy blessing rest upon our business and make our trade profitable, to the end that there may be no complaining in our spirit, and that there may be a large surplus left over for the promotion of education and benevolence and religion, and all the higher things of life.

Look in great mercy upon all classes and conditions of our fellow men.

Be gracious to the members of this convention gathered here from every section of the country. Give them broad views of social obligations and of their individual responsibility. Keep them in the hollow of Thy hand while they tarry in our city, and when they go hence take them to their homes in safety; deliver them from the perils of travel.

And to Thee we will give all praise forever, for Jesus Christ, our Lord and Redeemer. Amen.

Mr. Wilson, of San Francisco, California: Mr. President and Gentlemen, I have a matter that will take just a moment to present to you. At a meeting of the commercial bodies of San Francisco on the 25th of September, bodies constituting the Local Committee of Control for the Trans-Mississippi Commercial Congress, it was unanimously resolved that the commercial organizations of the city extend to the delegates of the American Bankers' Association in convention at Denver an invitation to attend the congress which convenes in San Francisco on the 6th of October, and will continue until the 10th. Arrangements have been made to extend a hospitality which I am sure will be made very welcome to you, and I hope as many of you as can do so will visit San Francisco at that time.

President Powers: The first business on the program this morning transferred from yesterday is the report of the Committee on Amendments to the Constitution, which will be presented by the chairman of the committee, Mr. Watts.

AMENDMENTS TO CONSTITUTION.

Mr. F. O. Watts, of Nashville, Tennessee: Mr. President and Delegates in our Convention of the American Bankers' Association, the Committee on Revision and Amendment to the Constitution have prepared a report, the substance of which you will find in the small pamphlet, a copy of which I hold in my hand. In order to give the constitutional thirty days' notice, it was necessary to hurriedly print the report as originally prepared by this committee. After the printing we found it necessary to make some changes in it in substance and in form, and the committee itself, and later the Executive Council, have made a few immaterial changes from the copy.

I suggest, unless it meets the opposition of some members, that in order to save time the report of the committee may be considered as having been read, allowing me only to call attention to such changes as we have made.

President Powers: If there is no objection that will be the order. The Chair, hearing no objection, the chairman of the committee may proceed.

Mr. Watts: At the bottom of page 27 the wording was changed as follows: "Delegates shall be voted on in person, and no delegate shall be entitled to more than one vote."

Mr. Sherman, of Wisconsin: Is the chairman referring to Section 3 at the bottom of page 27?

Mr. Watts: Yes, Section 3 of Article II.

Mr. Sherman: All right.

Mr. Watts: At the top of page 31, in the middle of the second line: "At such meeting the members shall vote in person only from a list certified to by the secretary of the association of the vice-president of that State." This is of members of the American Bankers' Association, at which you select your member of the Executive Council, credentials of any member at that meeting shall be a certified list furnished either by the secretary of the American Bankers' Association or the vice-president of the State holding the meeting.

President Powers: Unless objection is made, gentlemen, it will be considered that these amendments are satisfactory. Therefore they will be passed unless objection is made when they are read by the chairman of the committee.

Mr. Watts: On page 33, Section 7, the words "assistant secretaries" are inserted for the word "secretary" twice in that clause, so that in the future if it should be deemed advisable for the association to have assistant secretaries there will be a constitutional provision allowing it.

We have added to the same section the following words: "Provided, however, that vacancies in the membership of the council shall be filled by the election of a member of the association from the same State or section in which such vacancy occurs."

On page 35, Section 1, Article IV, the authority was given to the chairman of the Executive Council to appoint the Protective Committee. It was decided that it would be better to have that responsibility placed upon the executive officers, the president, the vice-president and the chairman of the Executive Council, and therefore the reading of the section will be:

"The president, vice-president and the chairman of the Executive Council shall appoint a standing Protective Committee of three persons whose names shall not be made public."

"The said committee shall control all action looking to the detection, prosecution and punishment of persons attempting to cause or causing loss by crime to any member of this association."

Beginning at the bottom of page 37, Article 9, the section providing for the Trust Company Section is changed to read as follows: "A Trust Company Section whose scope shall embrace all matters of interest to trust companies"; the change being that from the latter part of the sentence is omitted the words "in so far as such matters are distinct from banking." Section B, "A Savings Bank Section whose scope shall embrace all matters relating to institutions receiving savings deposits"; Section C, "A Clearing House Section whose scope shall embrace all matters relating to the work which may be of interest and advantage to members of this association which properly come within the scope of clearing houses."

That completes the changes as made in the original report. You will observe that in the first report the committee in its

original draft made practically no changes from the old constitution. The effort was to make plainer the lines of the constitution—the change being in form and not in substance. The only change of substance was the provision wherein it was provided that the various State associations should send delegates to this body. That was entirely eliminated, the duties of such delegates and their privileges having been practically withdrawn by the changes in the constitution, which provided that the various State associations at their meeting shall select the members of the Executive Council, and it further being anticipated that this convention would adopt another report of this committee, providing that the vice-presidents from the States and the members of the Nominating Committee shall be similarly selected.

I move this report of the committee be adopted.

Mr. Sherman, of Indiana: I second the motion.

President Powers: All in favor of the motion that has been made will manifest it in the usual manner; opposed in a similar manner.

Adopted.

Mr. Watts: Now, as to the by-laws. Your committee found in the old by-laws a matter which it appeared to them should not be in the by-laws of this association. We found there provisions for the various sections, which, as you have seen, were transferred to the constitution, where they properly belong, and the by-laws therefore contain nothing practically about the provision for membership and annual dues. The change made in the by-laws was the dropping of a part of the first by-law. The first by-law will therefore read as follows—and this is on page 41—"The annual dues to the association shall become due and payable in advance September 1 of each year, which date shall be the commencement of the fiscal year of the association." The remainder of that clause has been dropped as being superfluous. Otherwise the report is presented as printed.

I move that the by-laws as read be adopted.

A Member: I second the motion.

President Powers: Gentlemen, you have heard the motion. All in favor of the same will manifest it by saying aye; opposed no.

Carried.

A delegate from California desires the floor for a moment.

Mr. John M. Elliott, of Los Angeles, California: Mr. President and Gentlemen, I stand commissioned by the Los Angeles Chamber of Commerce and by the Clearing House of Los Angeles, consisting of 2,400 active members, to invite this convention to assemble in our city in 1910. (Applause.)

We stand prepared to show to the Executive Council that very much reduced railroad fares will be afforded to the delegates, that the hotel and other accommodations will be ample—even palatial. I can assure you that nowhere in the country would you receive a warmer or more hospitable welcome than if you should see fit to give Los Angeles the pleasure of your visit that year.

Some of you gentlemen may remember that in 1904, when the convention met in San Francisco, you were invited to spend a day or two in Los Angeles en route. What we did for the delegates who favored us on that occasion is only an earnest of what we will do if we have the opportunity in 1910, as our city has larger facilities and more accommodations for taking care of a large convention than it did at that time. We have Mount Lowe and Mount Wilson, two of the grandest mountains, with one of the finest scenic railways in the world to reach them, on the one side, and the Pacific Ocean with miles of finest beach in the world and splendid hotels and cottages along upon it, and last, but not least, the very best street car transportation service to be found anywhere in the United States. (Applause.)

Mr. G. M. Reynolds, of Chicago, Illinois: I am sure we are greatly pleased to receive this invitation from California to visit Los Angeles in 1910, but since this is only 1908 an eternity of time will intervene between now and 1910, during which it is the wish of the bankers of Chicago and the Clearing House Association of that city that the convention visit Chicago.

I therefore extend to the association in the name of the citizens of Chicago and the clearing house of Chicago and the associated banks of Chicago an invitation to hold its convention in 1909 in our city. (Applause.)

President Powers: I understand the committee has still some further reports to make.

Mr. Watts: The committee have two further reports as you will see from the printed pamphlet. On page 43 an amendment to the constitution provided for a section to be known as the American Institute of Banking Section.

I think it is hardly necessary for me to call attention to the great work that has been done by the American Institute of Banking Clerks. I consider it one of the greatest works of this association. A philosopher has said that the curse of the world is joyless labor. Gentlemen, the American Institute of Banking Clerks has been formed to make joyful the labor of banking clerks in this country.

It gives me great pleasure to move the adoption of this report providing for this section, and giving the banking clerks a representation of one member on the Executive Council.

A Delegate: I second the motion.

President Powers: All in favor of the motion and the adoption of the amendment will signify by saying aye; opposed no.

Adopted.

Mr. Watts: The final and last report of the committee you will find on page 44. This amendment changes the constitution which you adopted this morning, and provides that hereafter the vice-president for each State and the member of the Nominating Committee from each State shall be selected at the annual convention of the various State associations by members of the American Bankers' Association attending. I believe every man within the sound of my voice feels more than satisfied with the work done last year at Atlantic City, when we amended the constitution and provided that the various States having more than one hundred members of the American Bankers' Association should select for themselves a member of the Executive Council to represent them. Now, carrying out that policy, we are proving that more work shall be put upon them; that more interest shall be created at such meeting; that in some States, instead of a necessity arising for a meeting every three years, as might be the case in one selecting a member of the Executive Council, we shall now provide that a meeting shall be held every year for the members of the American Bankers' Association attending such meeting, and they shall have the work of selecting a vice-president and a member of the Nominating Committee to come to this convention. I believe this will result as your action at Atlantic City did in July, in increasing the membership of this association. It is a fact that with the very active work of the secretary's office the membership of the organization has remarkably increased, but I think no little of the increase is due to your action in giving the States themselves the right to select a member of the Executive Council.

I move the adoption of this amendment to the constitution.

Mr. Bradford Rhodes, of New York: I desire to second the motion, and in doing so I want to call attention to the fact that it was the suggestion of the present vice-president from New York that this should be done. In years gone by State vice-presidents have been practically of very little account, but now, under the present rule, State vice-presidents have important work to do.

President Powers: All in favor of the adoption of this amendment will signify by saying aye; opposed no.

Adopted.

Mr. Watts: I should call attention to the fact that on the last page of this pamphlet there is a proposed amendment to the constitution by Mr. August Blum, of Chicago. Mr. Blum has withdrawn it now, not knowing at the time it was prepared and forwarded to the secretary that the committee had prepared a similar resolution.

President Powers: No action is therefore necessary on that.

Mr. Sherman, of Wisconsin: Since we have adopted the amendment on page 43, it seems to me that we should make a provision to bring it under the amendment which we adopted on page 38, to provide, after the Clearing House Section, Section of American Institute of Bank Clerks, so that when the constitution is reprinted it will appear in its proper place.

President Powers: That will be regulated by the proper officers, sir.

Secretary Farnsworth: I desire to state, Mr. President, that I hold in my hand invitations to the association to hold its convention next year in Hot Springs, Arkansas, and in Seattle, Washington, and also in Put-in-Bay, Lake Erie, Ohio.

President Powers: I suppose those invitations will be more properly within the province of the Executive Council, and unless there is objection they will be referred to that body for its action.

Mr. Parker, of the District of Columbia: I should like to speak for one moment on a question of privilege, sir.

President Powers: Very well, you may do so.

Mr. Parker: I have been thinking about the words uttered by the distinguished President of Princeton University. He said enough to give us all the nightmare, I think. I should like to have one suggestion printed in the proceedings of this convention and sent abroad throughout the country, namely, that the members of the American Bankers' Association are desirous of recommending that bankers and others throughout the various States take up the matter of chattel mortgage corporations for the purpose of loaning money to the small borrowers.

This is no time for me to discuss the subject in detail, as I fully realize, but I desire to say that the methods in vogue in France, where the laboring classes all have such accommodations extended to them, is a great object lesson, and I think it would be well for us to undertake to institute such a system in this country. It is certainly within our power to do so. The chattel mortgage sharks are creating socialists and anarchists among us, and these people, the poor borrowers, the small borrowers, need our assistance. We should give it to them. This would not be an act of charity, but would be an act based upon business principles. (Applause.)

President Powers: The suggestion of the gentleman will doubtless receive the attention it merits from the members of the association, as the Chair thinks it should.

The next regular order of business is the report of the Currency Commission.

Mr. Myron T. Herrick, of Ohio: Mr. President and gentlemen of the American Bankers' Association, in the absence of the chairman of the Currency Commission, Mr. A. B. Hepburn, of New York City, I beg leave to submit the following report:

Report of the Currency Commission.

(The report of the Currency Commission is given on page 112.)

Gentlemen, it has seemed to me, particularly since President Woodrow Wilson's address yesterday, which was so eloquent and understandable, that just ahead of us in the line of his suggestion was the greatest piece of work for this association and the various State associations to do. It is not many years since the organization throughout the country of State bankers' associations, the object and purpose of which was to make bankers more thoroughly understand their business. Now, we desire as bankers to be appreciated by the people of this country. We desire them to know our aims and purposes. We know they are not sordid. The majority of bankers are poor men. They represent others. Bankers have in their hands a sacred trust, and it is in a primary sense that we are seeking to understand our business. Had there been an efficient organization of this body, headed by State organizations in the days when our banking system was established by that great statesman, Alexander Hamilton, which has proved successful in Canada, I doubt whether to-day it could have been made the football of politics and the passions of the people roused by this hobgoblin cry against what they term the money power. We appreciate that because the people of the United States did not understand that we were arrested in providing a vehicle which in the course of its natural growth would have been adequate to carry the commerce of this country, it was broken down. Now, earnest men, bankers, are looking beyond their counters and desiring to understand their business and their neighbors', and bring out of chaos a vehicle of commerce which will carry the trade of this country, and without which we can not make progress. We are in the position that the railroads were thirty years ago when forty and fifty pound rails were relied upon to carry the trains. To-day 120 ton locomotives are running over 100 pound rails. The banking system of the country remains practically where it was years ago. During the stress of war times, in order that our securities might be marketed, this system was inaugurated. We were so pleased with it that we have been talking in our self-conceit all over the country, delivering Fourth of July orations and saying that we have the best currency system in the world, until we have educated the people, and this has been done largely by the politicians, into the belief that we have the best that could be obtained, whereas only one country in the world has had the temerity to try it—Japan—and Japan gave it up in disgust. It is in this situation that we find ourselves. I ask you gentlemen to think deeply upon the splendid address of President Wilson yesterday, and that we may profit from it, because we must advance this association. We must encourage the people all over the United States to understand our business, and to understand it in a manner that we may make others know it, as we hope to know something other than the mere loaning of money and of barter over our counters.

This subject is so important and I was so impressed with what President Wilson said of the ignorance of the people on this subject, that I think it is one of the practical things that we should endeavor to educate the people of this country upon in the future. There was a man who traveled abroad once whose home was in a rural community, and upon returning from abroad he brought with him an ostrich. It was something never seen in his neighborhood, and he thought he would make a little money out of it. So he advertised that he would admit a single person or families for the price of ten cents to see it. One day a big woman came along with an umbrella and a small man behind and nine children to see the ostrich on one ten cent ticket. The show man said "Madam, is this all your family?" "Yes, sir," she said, "ain't you going to let us in?" "Oh, yes," he replied, "it is all right. It is just as important that the ostrich should see your family as it is that your family should see the ostrich." (Laughter.)

And I say, Dr. Wilson, that it is just as important that you understand us as that we should understand you.

Mr. President, inasmuch as the labors of this Currency Commission are not ended, I would move in connection with the motion to adopt the report that the committee be continued.

Mr. Bransford, of Kentucky: Governor Herrick has referred to the admirable address delivered by President Wilson yesterday. Now, I want to say that I think if President Wilson were put on the stand to-day he would say that this scheme of the bankers of this country to get control of the currency of the country is the most nefarious ever devised by man. I tell you, gentlemen, this is a dangerous proposition. It is all right for bankers to meet and devise schemes for the promotion of banking interests, but when they undertake to control the currency of the country it is a proposition that I for one can not sit here silently and endorse. If Congress carries out its announced purpose to give to banks of this country the right to issue asset currency, I tell you it is only a question of time when the banks can at will precipitate panics or make flush times, just as they please. I believe this currency question ought to be left to the national government. All the people of this country have a right to say whether we shall have prosperity or hard times, and no set of men—bankers or anybody else—ought to be permitted to make flush or hard times at will. Gentlemen, we are now within six weeks of a national presidential election. This question will be settled by that election and I hope that every member of this convention who loves his country will range himself on the side of progress and will help to rescue

this government and give it back to the people from whom it emanated.

Mr. E. D. Durham, of Illinois: In view of the excellent work done by the Currency Commission in the past, and in view of the work yet to be done along the line of their labors, I second the motion that the report be adopted and the commission continued.

Mr. Bradford Rhodes, of New York: I also desire to second that motion.

President Powers: Gentlemen, is there any further discussion? Are you ready for the question?

Mr. John Schuette: Mr. President and Gentlemen, I think what this Currency Commission calls a step in advance is a fallacy. Congress has recognized commercial paper as a good asset for currency. We will have fictitious money based on commercial paper, as we now have fictitious money secured by bonds. I think President Wilson was mistaken—

A Member from Florida: I rise to a point of order that the gentleman from Wisconsin is speaking on the report and not upon the motion before the house, which is to continue the members of the Currency Committee.

President Powers: The gentleman from Wisconsin must address himself to the question before the house. Of course, incidentally, the Chair is inclined to allow him to go ahead on the general subject of the report, as the provision made in the program itself is for a discussion of the report, but the immediate question before the house is the motion to continue the Currency Commission.

Mr. Schuette: I beg the pardon of the Chair, but a motion was made to adopt the report.

A Member from Ohio: The motion before this body, Mr. President, is the adoption or rejection of this report. Governor Herrick submitted the report and moved its adoption, and asked that the committee be continued. Is not that so, sir?

President Powers: Yes, sir.

Member from Ohio: Then I raise the point of order that the point or order made by the gentleman from Florida is out of order. The motion before us first is to adopt or reject this report, and then the continuance of the Currency Commission is a further motion. I ask the Chair for a ruling upon my point of order.

President Powers: The Chair would rule that the point of order is not well taken in the manner in which the gentleman presented it.

Member from Ohio: I will present it in writing then if the Chair does not understand it as I have stated.

President Powers: Very good. Suit yourself, sir.

Mr. Durham: Mr. President, I rise for a bit of explanation. A motion was made, as I understand it, to adopt the report and to continue the commission.

Member from Ohio: I stand corrected if the gentleman says that is the motion that he made. I didn't so understand it.

Mr. Schuette: I only desire to say further, Mr. President and gentlemen, that I differ with the assertions made in this report. What was there gained in Congress when they allowed the issue of credit currency on the deposit of commercial paper? I claim that is fictitious money. I expect that everyone here will acknowledge that gold is the only real money we have, not only by law, but by usage among all commercial nations. National bank notes we call circulation. That name alone justifies and limits the character of the paper money. Paper money, no matter whether it is legal tender, was the first poison injected in our currency. Then our bonds secured our national bills for circulation. When they get back to the banks they ought to cease to be money; they ought never to form bank reserves. As soon as that money which is only good for circulation and is only justified for circulation comes back to the bank and is held as a reserve for the debts of the bank and accumulated by the institution, it becomes fictitious money. Now, gentlemen, our business is not to deal with fictitious money. Let us have gold for bank reserves and bank notes only for circulation. Then you will have something that the people will understand.

Mr. A. J. Frame, of Waukesha, Wisconsin: I have no objection to approving this report that has been submitted, but I do have an objection to any proposed branch banking system. The banks of the United States are not ready for it. As far as the system of Canada is concerned, why, gentlemen, it is no comparison whatever. Let me tell you that Canada has three million square miles of territory and yet it hasn't a banking business equal to the State of Massachusetts. The idea of coming before this convention and trying to force upon this convention the branch banking system is absurd. I am amazed that it should be brought up here. I will not take up any more time. I simply wanted to enter my protest against any such proposition. As far as the banking business of the United States is concerned, I want to give one illustration. I live in a small town. I have been in the banking business for forty-six years. I started in the business in our town when the deposits were very, very small indeed. They have been growing steadily until to-day our deposits are over \$3,000,000, and we are loaning money to our people at five per cent. The stockholders of the Waukesha National Bank all are people of Waukesha. We pay \$5,000 a year taxation. Now, a branch banking system could come in there and pay \$25 a year for a license, the same as is done in Canada, and every bit of profit made out of that branch bank would go to Chicago, New York, Boston or Philadelphia,

and the people of our community would receive no benefit from it whatever; the money would not be distributed in the community. I hope most emphatically that any attempt to force upon the bankers of the United States a branch banking system will fail.

Mr. Herrick: I am rather sorry to be misapprehended in the few personal remarks that I made in presenting the report. The American Bankers' Association appointed the commission. It reported back to you. You approved its plan. It is carrying that forward solely and entirely along the lines of your instruction. In what I had to say I merely called attention to the suggestion that in the report we started out on a plan, proceeded on it for a number of years, illustrating what our course was, and that that plan was laid aside by the American people, although it had succeeded in Canada. That was stated as a mere illustration and I think if the gentlemen had kept their ears open they would have understood plainly that it was merely an illustration as to the history of banking in this country. This report is made in accordance with the instructions of the association at your annual meetings and heretofore approved. It is a report that we have made some progress and that progress has been along the line of your direction.

President Powers: Is there further discussion on this question? If not, those in favor of the motion to approve the report of the committee and continue the committee will signify it by saying aye; those of the contrary opinion, no. The Chair hears no noes, so the motion is unanimously carried.

Carried.

President Powers: It seems a little strange because it has not been the custom, but you all got up so early this morning that you practically are not only up with the business, but a little in advance of it. We have about thirty minutes to devote to the call of States, and the reports of vice-presidents, or we can begin the subject set for 11:30 o'clock. I think if it meets with the approbation of the convention, which, of course, has absolute control of the matter, we will consider the time as moved up to 11:30 o'clock. Therefore, I have the pleasure of introducing to the convention Mr. Alexander Gilbert, president of the Market and Fulton National Bank of New York City, and also greatly distinguished as president of the New York Clearing House. (Applause.) Mr. Gilbert will address us on the subject "Vital Issues," as I understand.

"Vital Issues," by Alexander Gilbert, President of the New York Clearing House.

Mr. President and gentlemen of the American Bankers' Association, I consider it a very great honor to stand on this platform in the presence of this large audience of American bankers representing every section of the country. I am going to speak to you in a very informal manner. I don't propose to discuss any very serious problems that are now before the American people, but I want to say some things that are on my mind, which I feel ought to be said, especially to the bankers of the West and the Northwest and perhaps of the South.

I desire to say in advance that I don't subscribe to the idea that the American bankers do not get very near to the people. I believe from my own experience that no class of business men get so near to the people in a confidential way as the bankers. (Applause.) There evidently is a great deal of hostility throughout the country to the bankers; but it is not hostility on the part of the business men of the country. It is perhaps hostility on the part of the men who have no relations whatever to the banks and they are swayed entirely by outside influences, mainly of a political nature.

This is my first visit to the city of Denver, and this is the first time, I am sorry to say, that I have ever attended a convention of the American Bankers' Association held outside of the city of New York.

I said to you that I feel I have something to say. I am justified in saying this because during the past five or six months I have received several invitations from people in Western States, where conventions were about to be held, asking me to attend and address them on the subject of the relation of the New York banks to Wall Street during the panic of 1907. That is one of the things which I want to talk to you about this morning.

(President Gilbert's address in full will be found on pages 91 to 94 of this publication.)

Secretary Farnsworth: Mr. President, I desire to state that the following communication has been received from the Gilpin County Chamber of Commerce, the Rocky Mountain National Bank and the First National Bank, under date of September 30:

The Rocky Mountain National Bank, the First National Bank and the Gilpin County Chamber of Commerce respectfully invite the members of your association to visit the cities of Black Hawk and Central City, in Gilpin county, Colorado, on Saturday, October 3, 1908. A train will be provided on the Colorado Southern Railroad, leaving the depot at 8 o'clock in the morning, reaching Black Hawk at 10:30. Some time will be spent examining the mills at this point and the gathering of gold will be exemplified. From the mills tram cars will be furnished by the Gilpin County Tramway, which will take the guests up on Pawable Mountain, where a barbecue lunch will be served, and opportunity given to see the mining of gold ores.

The train will leave Black Hawk at 4 o'clock P. M. and reach Denver at 6 o'clock the same day.

All who desire are cordially invited and it is believed that the trip will be unique, interesting and instructive.

President Powers: All members who desire to take that trip will doubtless be well repaid for it.

I now have the pleasure of introducing Hon. Joseph E. Ransdell, Member of Congress from Louisiana, who will speak to us on the subject of "Conservation of Our Natural Resources."

"Conservation of Our Natural Resources," by Congressman Ransdell.

(Congressman Ransdell's address will be found on pages 103 to 106 of this publication.)

President Powers: I am sure that every member of the association feels well repaid for listening to the addresses delivered to us in this morning. (Applause.)

Mr. E. D. Durham: Before we adjourn for luncheon I suggest that the especial attention of members should be called to the address to be delivered by Mr. Wade at half-past three o'clock.

President Powers: I want to say that when the convention assembles at two o'clock the first business in order will be the report of the Committee on Federal Legislation, which was yesterday fixed for this afternoon session. Immediately after that we will listen to the address of Festus J. Wade, of St. Louis, Missouri.

We will now take a recess until two o'clock.

Adjourned to 2:00 P. M.

AFTERNOON SESSION.

President Powers: The convention will be in order. We will change the order of the program a little, and will listen now to the address of Mr. Festus J. Wade, of St. Louis, Mo., whom I now have the pleasure of introducing to the convention.

"The Guarantee of Bank Deposits," by Mr. Festus J. Wade, of St. Louis.

Mr. President and Gentlemen of the American Bankers' Association. I told a friend of mine that I would have to apologize to the convention for reading instead of speaking. He said if I did it would be like an old constituent of his who lived in the State of New York. After he died his friends wanted to perpetuate his memory fittingly and they concluded to have a picture of him painted. They made a bargain with the artist that if a majority of the departed's friends didn't like the picture he wouldn't get any pay for it. Well, the picture was painted, and, strange as it may appear among a lot of Irishmen, there was a dispute as to whether it was a good likeness of Murphy, and it was concluded to leave the decision to Gallagher, one of Murphy's closest friends, and who hadn't yet seen the picture. So they sent for Gallagher and brought him in and suddenly unveiled the painting and he exclaimed, "My God! That looks like Murphy," and he was about to touch it when one of the crowd said, "Hold on, he isn't dry." "Thin," said Gallagher, "if he isn't dry it isn't Murphy." (Laughter.) So my friends said if I read my address the audience would say it wasn't Wade.

(Mr. Wade then proceeded to read his address, which will be found printed in full on pages 106 to 108.)

President Powers: We will now call upon Mr. Arthur Reynolds, of Des Moines, Iowa, chairman of the Federal Legislative Committee, to present the report of his committee.

Report of Federal Legislative Committee.

Mr. Arthur Reynolds: Your committee since its appointment has followed with much interest the movement which has been on for the establishment of postal savings banks, and has opposed the enactment of such legislation. No bill has been presented which would really prove beneficial to the country. On the contrary all have been burdened with measures sure to prove detrimental, not only to the banks, but the individual depositors, as well, by impairing the ability of the banks to adequately provide and care for, the very desirable feature and advantage of active banking accounts, curtailing the use of individual credit, and giving to the dishonest a cloak by making such funds immune from all process of law, and particularly inviting the withdrawals of large sums from commercial channels by making such deposits not subject to taxation, and such banks are proving a serious menace to the financial credit of the countries in which they are in use.

(The report of the Federal Legislative Committee will be found printed in full on pages 112 to 113.)

Mr. Arthur Reynolds: There was referred to this committee a resolution introduced by Governor Herrick touching upon this question, and at this time I move the adoption of that resolution.

GUARANTEE OF DEPOSITS.

The committee recommended the adoption of the following resolution:

Resolved, That the American Bankers' Association is unalterably opposed to any arbitrary plan looking to the mutual guaranty of deposits either by a State or the nation for the following reasons:

1. It is a function outside of State or national government.
2. It is unsound in principle.
3. It is impractical and misleading.
4. It is revolutionary in character.
5. It is subversive to sound economies.

6. It will lower the standard of our present banking system.
7. Productive of and encourages bad banking.
8. It unjustly weakens the strong and unfairly strengthens the weak bank.
9. It discredits honesty, ability and conservatism.
10. A loss suffered by one bank jeopardizes all banks.
11. The public must eventually pay the tax.
12. It will cause and not avert panics.

Resolved, That the American Bankers' Association is unalterably opposed to any arbitrary plan looking to the mutual guaranty of deposits either by a State or the nation, believing it to be impractical, unsound and misleading, revolutionary in character and subversive to sound economics, placing a tool in the hands of the unscrupulous and inexperienced for reckless banking, and knowing further that such a law would weaken our banking system and jeopardize the interest of the people.

Mr. Chamberlain, of Texas: I second the motion.

Mr. John Schuette, of Manitowoc, Wis.: Is that question open for discussion, Mr. President?

President Powers: It is.

Mr. Schuette: Then, sir, I desire to say a few words upon it. We can insure ourselves against almost any kind of loss, except our money. Whether we keep it in our pocket, home or the bank, the constant fear of its safety hangs like a pall over nearly every one of us, and when bank failures are frequent, fear breaks out into a panic which seizes the whole population and carries ruin in its track. Not only do those worry who have their money in banks, but also those who don't trust the banks and hoard it.

Mr. Rufus H. Brown, of Augusta, Ga.: Is the gentleman speaking to the question before the house? It occurs to me he is making a political speech.

President Powers: The Chair thinks the gentleman is proceeding and will presently arrive at the question before the house. (Laughter.) He may proceed.

Mr. Schuette: If I was a college professor and knew nothing about banking I could take up an hour's time and nobody would think of calling me to order.

President Powers: The gentleman will proceed.

Mr. Schuette: If depositors were insured, the gloom now hanging over the whole nation would be lifted, no more harrowing of nerves, no fear of loss, no more bank runs. They would put in the banks, because it would be the safest place to put it, and leave it there if not wanted; consequently the immense amount now hoarded, estimated at over one billion dollars, beside the government's hoard of over two hundred million dollars, which is kept in reserve for banks when they get into trouble, and is loaned to them without interest, would then be put into use. Most of this immense idle money could be released, put into circulation and into the marts of trade, and would stay there and not be withdrawn as it is now owing to the fear of its safety.

Some may imagine that to insure the deposits in all the banks of the country would be too bold an undertaking; too large a territory; too colossal in amounts. But this is just the contrary. The larger the territory, the more numbers, and the larger the amounts, the better general average is obtained, which is the main safeguard of all kinds of insurance and also tends to lessen the expense.

Insurance corporations are now insuring in banks at one-fourth per cent. premium, and more are organizing; but such insurance would cost the banks at least three times that of the plan under government control, and would not inspire the confidence so vital.

A single fire insurance company in the United States, with a capital of only \$1,250,000, has insured against fire over \$1,500,000,000, and received \$12,000,000 premium receipts, pays over \$7,000,000 in losses, which is seven times the loss sustained by depositors in national banks each year on the average.

Even in the great San Francisco fire year a Milwaukee fire insurance company with a capital of but \$200,000 paid with its surplus more losses that year than it would have paid had it paid all losses in failed national banks the same year, and keeps on doing business at the old stand. This shows that, to insure deposits in banks is not visionary, but practical and sound.

The Comptroller's reports disclose that in the forty-three years of our national banks' existence practically ten banks failed each year, and the losses to depositors did not exceed one million dollars on the average, annually; and if the national banks had paid annually a tax of only eighty cents on each \$1,000 deposits all depositors would have been paid in full, and no one lost a dollar. At the present day our national banks have approximately \$6,000,000,000 deposits.

Say six billion dollars, of which one per cent. should be deposited with the reserve fund, which would amount to sixty million dollars, and the annual premium tax of one-tenth of one per cent. would amount to \$6,000,000; deduct from this the loss of eighty cents on each \$1,000 deposits, being \$4,800,000, this would leave a balance in the premium fund of \$1,200,000 in the first year; with the \$60,000,000 reserve fund, this would be the strongest insurance company on earth. Of course if all banks of deposits had to nationalize or be under government supervision the above figures would soon be more than double. Why should we allow our banking methods to continue on the same rules, which, time and again, have brought disaster? Why not adopt a measure so easily attainable, and popular with

our people, and to which our bankers should not object to contribute their mite?

(Cries of Question! Question! Question!)

Mr. J. W. McNeal, of Guthrie, Oklahoma: I would like to have the 8th proposition, if I remember the number correctly read again.

Mr. Reynolds: Our eight proposition is as follows: "It unjustly weakens the strong and unfairly strengthens the weak bank."

Mr. McNeal: I know that every advocate of the guarantee law favors it on the ground that the farmers' money is good in a weak bank. Now, it seems to me that we fortify that position by the language used in that eighth proposition. The effect of the law in Oklahoma has been to induce the chartering of forty-two small banks with \$10,000 capital each and not a cent surplus—the disposition being evidently to organize with the least possible capital and put all dependence in the guaranty.

Mr. Heinsheimer, of Iowa: If I understand it right, the resolution before us is to the effect that we are opposed to postal savings banks. Now I think we should also declare that we are opposed to the guarantee of bank deposits.

Mr. L. A. Goddard, of Chicago, Ill.: I rise to the point of order that the report is not under consideration.

President Powers: We are now considering the resolution.

Mr. George, of Pennsylvania: I think it would be well to have Mr. Reynolds re-read the resolution. As I understand it the resolution gives twelve reasons why it should be adopted, but there is nothing in it about postal savings banks.

(The resolution containing the twelve reasons was read by the chairman of the committee.)

Mr. C. R. Breckinridge, of Arkansas: I offer the following as an amendment or substitute, whatever is the term, for the resolution now before the house:

Resolved, That the American Bankers' Association welcomes all legislation that adds to the security and advancement of the business of the people, but deems the proposed plan of guaranteeing bank deposits and of establishing government savings banks as unwise and hurtful.

A Member: I second that amendment.

Mr. Breckinridge: I desire to say that I offer this for the purpose of coupling the two propositions together and I take it that this assemblage is almost unanimous in its opposition to both propositions, and certainly if we take action upon one of them we should also declare ourselves upon the other.

Mr. M. T. Herrick, of Ohio: I think there is a very good reason why we should not take the action proposed by the amendment of Mr. Breckinridge. In the first place, the postal savings bank plan has been tried in different countries; it has some place in economics. Now, the other proposition has never been tried and has no place in economics. The Legislative Committee in asking for the approval of its report condemns in polite terms the establishment of postal savings banks, but it recognizes that inasmuch as the two leading political parties have declared for it that it is unwise for this convention to place itself on record in offensive terms against the plan.

Therefore, gentlemen, I suggest that it is better for us to receive and approve this report as it stands.

Mr. W. W. Bonner, of Greensburg, Indiana: When the United States Government guarantees post office money orders it guarantees to pay out of your pocket and out of mine and to meet any loss that occurs. That is a combination and arrangement that is perfectly unjust.

Mr. Festus J. Wade, of Missouri: Gentlemen. Do not let us get confused in striking at that which is absolutely unsound by mixing it up with another question about which perhaps there is some question.

Mr. Charles H. McNider, of Mason City, Iowa: I should like to know what is the precise question before the house.

President Powers: The question before the house is:

Resolved, That the American Bankers' Association welcomes all legislation that adds to the security and advancement of the business of the people, but deems the proposed plan of guaranteeing bank deposits and of establishing government savings banks as unwise and hurtful.

Mr. James R. Branch, of New York: I want to raise my voice in favor of both propositions; this is not a political meeting, gentlemen, but is the discussion of an unwise declaration in the platform of the Republican party, and an unwise declaration in the platform of the Democratic party. We are not here to simply talk in polite phrases, and what we ought to do is to put the stamp of our disapproval upon schemes that we believe to be injurious to the welfare of the country. Whether we vote on these two propositions separately or together, let us put them both down. (Applause.)

Mr. A. J. Frame, of Wisconsin: As far as the plan for postal savings banks is concerned I will say this: In Europe with sixteen thousand million dollars deposited in the different nations, that money is immediately put into the securities of those nations. If this plan is adopted in the United States, what will be done with that money? Why, the moment it is got into the hands of the United States government it will be a practical impossibility to put it into government bonds. I tell you it is entering upon a plan that a free and enlightened nation ought never to touch. As far as the question of guar-

anteering bank deposits is concerned, I am a country banker and thank God for it, but I have never become inoculated with the virus of socialism. The American people will pay whatever tax is necessary for the support of the State and the nation that the poor and the unfortunate may be cared for and protected in the pursuit of the affairs of life, liberty and happiness, but when it comes to levying a tax upon an individual or a corporation to pay the debts of another individual or corporation not controlled by the former to reimburse it for its own errors of judgment, then I say that is paternalism gone mad. I firmly believe that the United States Supreme Court will promptly relegate this latest and most dangerous heresy to the scrap heap of political fallacies.

Mr. Wade: I ask that we vote upon the guaranteeing of bank deposits first as embraced in the original resolution.

Mr. Breckinridge: I will agree to that upon the understanding that we shall afterwards take a vote upon the postal savings bank proposition.

(Cries of Question! Question! Question!)

Mr. N. T. Gilbert, of Lawton, Oklahoma: I wish to offer a substitute for everything that is now before the house, and my substitute is that we take up and vote upon the original proposition, striking out Section 8, and consider that later.

President Powers: That is not in order, sir. The question is on the substitute offered by Mr. Breckinridge, as the chair understands it, and that declares a declaration upon both propositions.

Mr. John L. Hamilton, of Illinois: Mr. President, I move that the substitute offered by Mr. Breckinridge be laid on the table.

Mr. William Livingstone, of Detroit: I second that motion. President Powers: All in favor of the motion to lay this substitute on the table will manifest it by saying Aye; opposed, No.

Carried.

Mr. L. A. Goddard, of Illinois: Now I move to amend the eighth reason stated in the original resolution by adding after the words "weak bank" the words "under incompetent management."

President Powers: Is there a second to that motion?

Mr. John L. Hamilton: As a member of the committee I wish to substitute for reason No. 8 the following: "It is a delusion that a tax upon the strong will prevent failures of the weak."

Mr. Goddard: I will second that.

Mr. Reynolds: On behalf of the committee I will accept that.

President Powers: Very well. Then the question is on the original resolution reported by the committee with the amendment of the eighth reason as stated by Mr. Hamilton and accepted by the chairman of the committee. All in favor of its adoption will say Aye; opposed, No.

Adopted.

Mr. Livingstone: I now move the adoption of the report of the committee as a whole.

A Member: I second that motion.

President Powers: All in favor of the motion to adopt the report of the committee as an entirety will say Aye; opposed, No.

Adopted.

Mr. Breckinridge: May I ask if the committee intends to submit a report on the subject of postal savings banks?

President Powers: It has already submitted its report and the report has been adopted.

Postal Savings Banks Condemned.

Mr. Breckinridge: I move that it is the sense of this association that we should condemn in unqualified terms the proposition for the establishment of postal savings banks or any other system by which the government enters directly into banking relations with the people.

Mr. A. S. Beymer, of Pittsburgh, Pa.: I second the motion.

Mr. McNeal: I rise to the point of order that the motion cannot be entertained, the substitute offered by Mr. Breckinridge having been put to vote and lost and the report and resolution of the committee having been adopted.

President Powers: The point of order is not well taken.

All in favor of the motion made by Mr. Breckinridge will manifest it by saying Aye; opposed, No.

Carried.

On motion of Mr. Durham, of Illinois, the Committee on Federal Legislation was continued and the thanks of the association extended to it for the work already accomplished.

President Powers: The next order of business is reports from vice presidents of the various States.

Call of States.

The secretary called the roll of the States with the following result:

ARKANSAS.

Mr. H. L. Rammel, of Little Rock: Mr. President and Gentlemen—The condition of banking in our State is very good indeed. The banks have between forty-five and fifty million dollars of deposits. There has been no failure in the State in

the last year, with the exception of one small bank that was looted by its officers.

At our State convention the subject of postal savings banks and the guaranteeing of bank deposits were discussed and they were both unanimously sat down upon.

Business interests in Arkansas are all right. Crops are abundant. Cotton and its bi-products will produce a revenue of over \$40,000,000 this year. The lumber industry is thriving. The mining industry is thriving. We are mining zinc in a small way. We are also mining diamonds. Perhaps many of you had not heard of that, but it is a fact.

In conclusion, I want to invite this convention to come and hold one of its meetings in the near future at Hot Springs. That is a beautiful town, and it has ample hotel accommodations.

ALABAMA.

Mr. Tilton: Mr. President and Gentlemen. On behalf of the State of Alabama I can say that we have passed through the year 1907 and the first half of the year 1908 without a single bank failure. Our financial institutions are all in good shape and business generally is in a prosperous condition.

Alaska: (No response.)

Arizona: (No response.)

CALIFORNIA.

Mr. Joseph D. Radford, of Los Angeles: I would not undertake at this time to make a fitting response on this roll call for the State of California, and I will ask leave to send a written report to the secretary to be incorporated in the proceedings.

I might say in passing that the prospects of business in California are very good indeed, the natural resources of the State are being largely developed from day to day, and the banks generally are in a flourishing condition.

Before I sit down I desire to emphasize the announcement that I believe has already been made that the city of Los Angeles hopes to entertain this convention in 1910. (Applause.)

Connecticut: (No response.)

COLORADO.

Mr. Fletcher, of Denver:

Mr. Chairman and Gentlemen of the Bankers' Convention: Because Colorado is acknowledged to be the leading State in the Union in the yield of the precious metals, it is quite natural for most people to think that we are simply a mining State. My aim will be to show that this is not the case. In this brief talk I propose to show you, representatives from the North, East, South and Middle West, that we produce something besides gold, silver, copper, lead, etc., etc.; so I pass over any statement of the production of these metals and simply refer you to the statement of the United States mint and other sources to confirm the fact that in the production of these precious metals we have not gone back, but are showing a steady gain each year.

Coal.—It is stated as a fact that the area of coal lands in Colorado is greater than any State in the Union, not excepting Pennsylvania, a small part of which, comparatively, has been opened; yet we mined during the year ending June 30, 1908, 10,900,000 tons of coal, 10 per cent. of which was anthracite, the balance lignite, bituminous and semi-bituminous coals.

Following coal is the iron industry, and it may surprise many of you who believe that the iron industry does not extend west of the Mississippi to learn that one of our concerns, the Colorado Fuel & Iron Company, located at Pueblo, manufactured and sold during the fiscal year ending June 30, 1908, 283,000 tons of steel rails, besides enormous quantities of structural iron, such as tanks, braces, nails, etc.

Our stock interests continue to steadily increase, and show that for the twelve months ending January 1, 1908, the receipts and shipments to and from Denver alone amounted to 1,500,000 head of cattle, sheep and hogs.

Ten years ago, when your honorable body met in Denver, there was not a sugar factory in existence nor a sugar beet raised in the State. To-day we have eighteen factories, and the production of sugar for this season, by close estimates, will be 220,000 tons, of the approximate value of twenty millions of dollars. Only about 10 per cent. of this yield is consumed by our own people, the balance being sold outside of the State, bringing in eighteen to twenty millions to our people for the sugar crop alone. Besides, it requires more than 5,000 men in the production of this sugar, not estimating the labor necessary to raise the beets.

We are manufacturing Colorado Portland cement of a quality superior to the government's tests for cement. The amount produced and used in and outside of the State is about a million dollars a year, about one-half being exported. This industry employs some 500 men.

In the matter of vegetables, there was shipped from the State last year 10,000 carloads of potatoes, 8,000 carloads of flour and 2,000 carloads of cabbages and onions. All garden vegetables and small fruits are grown everywhere in the State, including apples, peaches, plums, pears and grapes. The superior quality of our apples particularly is acknowledged in all the markets of the country. We ship fruit and vegetables by the carload as far north as Canada, east to the Atlantic, south to the Gulf of Mexico and west to the Pacific. Our melons are noted for their superior quality, and the cantaloupes of Rocky Ford are famous throughout the United States and the western slope is coming forward in equally good melons.

It will be understood by many of you that our success in agriculture and horticulture is due largely to the system of irrigation that exists throughout the entire State, and it is but in its infancy at this time. Individual enterprise first made known the great value of irrigation. The storing up of the vast floods of water coming down from our mountains in reservoirs upon the plains to be used throughout the summer demonstrated not only to our people, but to

the government, the enormous value of irrigation; and the government has taken up the matter on broad lines and is establishing national reservoirs throughout our Western States; and I may tell those of you who do not know that this is not done at the expense of the taxpayers of the nation, but the States and the owners of the lands on which the reservoirs are established, so that while the government makes advances in many instances to enable this work to be done in unusually dry localities, they will eventually receive every dollar advanced for this great purpose. In the near future irrigation will make of Colorado an agricultural State equalled by few and surpassed by none.

I would add a word about our climate, but I feel that it would be impossible to lay before those of you who have not spent at least a year in Colorado what our climate really is. I can only tell you a little story concerning it. Several years ago a New York banker, broken down in health, came out to Colorado and after spending some time here he recovered his health completely. Returning to his home he was asked at a banquet to respond to the toast, "The West," and he immediately took up the subject of our climate. After expatiating at some length on its beauty and healthfulness, his audience became a little weary and showed signs of impatience, and he said: "Now, you fellows keep still for a little while, for I tell you the fact is you can't tell the truth about the climate of Colorado without lying."

Delaware: (No response.)

District of Columbia: (No response.)

Florida: (No response.)

Georgia: (No response.)

ILLINOIS.

Mr. E. E. Crabtree, of Illinois:

Illinois can always be depended upon in any emergency. Like the balance of the country, we have passed through one of the most severe panics that this United States has ever seen. Next to New York, the panic perhaps fell harder on Chicago than any other city. When New York shut down, the entire United States, west of the Alleghenies, made demands on Chicago, and how well Chicago performed her duties need not be related here; it is a matter of history now.

No failures of banks or mercantile houses of any consequence have been reported. Our deposits are equal to those of last year. Our banks are in excellent shape, and while legitimate trade has been taken care of, there is an inclination to refuse credit to projects having the slightest suspicion of speculation.

Agricultural districts have been handicapped by most remarkable weather. In the early part of the season the rainfall was tremendous; the farmers were able to do but little planting until after the first of June. During July, August and September a drought prevailed from one end of the State to the other, and it has been predicted that crops would be ruined. The oats crop did turn out poorly. Wheat was fair, and prospects for corn seem to be improving daily, until it seems to be no question of doubt but that we will have approximately a 60 per cent. yield. Good prices prevail. The farmers are happy and prosperous, and farm values are very high. We have, therefore, every reason to look forward to a good winter's business with plenty of money.

Our State Bankers' Association is in a thriving condition and membership of the A. B. A. has been materially increased since our last meeting. No bank legislation has been enacted, as it is an off year with the legislature.

INDIANA.

Mr. W. W. Bonner: Indiana for the last two decades has been the centre of population of the United States, and possibly because of that fact we have more diversified interests than any other State in the Union. We raise the corn of the West, the wheat and the oats of the Northwest, we have the forests of the North, we have the manufactures of the East, and we have the blue grass of Kentucky, and with it all I believe we have some of the push and enterprise of the West.

Business conditions with us are very good, and the prospects of the coming fall and winter are very bright indeed.

IOWA.

Mr. Leo. E. Stevens, cashier Ottumwa National Bank, Ottumwa, Iowa:

One of Iowa's leading life insurance companies headed by a former governor of the State has adopted as its slogan, "In all that is good, Iowa affords the best." Each of us in responding for our State will attempt to outdo our predecessor in the virtues of our respective Commonwealths. But how many of you know or realize that Iowa, the Hawkeye State, is one of the really great States of the Union? Did you know that she leads all other States in number of banks, now having 1,574, with an aggregate capital and surplus of over \$68,000,000 and deposits of over \$300,000,000? This means more banks than post offices, and the convenience of banking facilities at nearly every crossroad, with a per capita deposit of about \$150, leading, I believe, every other Western State in this respect.

She also has the largest State Banking Association with a membership of over 1,200, and is represented at this meeting by the largest delegation of any State association. But Iowa is justly noted for her farming lands. An old Iowa farmer was on his death bed and though he had never taken time to be much of a religious man, the family called in a minister of the gospel to console him in his last hours. Seating himself at the head of the bed he asked the dying man, "Are you prepared for the better land, brother?" The old man rallied, lifted his head from the pillow and replied, "Look here, Mr. Preacher, there ain't any better land than Iowa."

The products of Iowa farms in 1907 reached a value of over \$389,000,000 and the farms themselves, including improvements, machinery and live stock thereon aggregated a value in the remarkable sum of over \$2,627,000,000.

Iowa ranks first among the States of the Union in number of acres of improved farm lands; first in value of farm products; first in number and value of hogs; first in acreage of cereals; first in acreage and production of oats; first in animals sold and slaughtered; first in farm animals owned, and first in production of butter, eggs and poultry. She ranks second in value of farm properties, second in number and value of horses owned; second in value of cereals grown; second in acreage, production and value of corn; second in value of

oats grown, and second in acreage and production of hay, being exceeded in each of these products by Illinois only. The closer proximity of Illinois to the markets gives her an advantage over Iowa in obtaining better prices and consequently higher values. In all farm products, Iowa is well toward the head of the list, but she don't stop at this, she also produces men who do things, as for example Secretary James Wilson of Agriculture, ex-Secretary Leslie M. Shaw of the Treasury Department, the lamented Senator William B. Allison, Senator J. P. Dolliver and numerous others prominent in the public and business life of our country.

Iowa did not suffer materially from the panic last fall; she does not fear one this fall. Our crop experts estimate we will this year produce over three hundred million bushels of corn, worth over \$200,000,000; oats worth \$70,000,000, wheat worth \$5,000,000, barley worth \$6,000,000, hay worth \$60,000,000, butter worth \$40,000,000, poultry and eggs worth \$35,000,000, potatoes and small fruits worth \$10,000,000, wool worth \$2,000,000, a total in marketable products from the farms of Iowa of over \$428,000,000. In addition her farmers own horses and mules worth \$145,000,000, and cattle, hogs and sheep worth over \$180,000,000, part of which will be marketed this fall. Her coal mines will produce over seven million tons of coal worth about \$12,000,000 and our 5,000 manufacturing establishments will market products worth \$200,000,000.

Iowa banks are loaded to the guards with idle money; when her crops are marketed this fall she will, as in the past, have money to loan to the rest of her neighbors who are not so fortunate. One Iowa farmer meeting a neighbor friend one day said, "John, I had a strange dream about you last night. I dreamed of dying and going to heaven, and walking down one of the beautifully paved streets in company with an angel guide, saw a heavy post evidently sunken deep in the pavement and a man fastened to it with a large chain. Calling my guide's attention to it I asked, 'Isn't that my old neighbor John Jones?' On receiving an affirmative reply, I asked, 'Why do you keep him chained in such a manner?' The guide replied, 'Well, sir, your friend Jones agrees that this is a pretty nice place, yet it appears that he is not wholly satisfied, and we fear if we let him loose he will return to Iowa.'"

Colorado is much nearer heaven, from point of elevation only, than Iowa, but we Iowa fellows don't care to change our abode just yet. I thank you.

KANSAS.

Mr. Bailey: Gentlemen, if you should ask to-day, "What is the matter with Kansas?" the reply from all over our State would be, "She's all right."

And Kansas is all right, gentlemen. She has \$150,000,000 on deposit in her banks; she has splendid crops, and she has fine men and women. What more could a State have? (Applause.)

KENTUCKY.

Mr. Ford: So far as the State of Kentucky is concerned, gentlemen, business conditions are flourishing. We had no bank failures until the panic was all over, and then only two concerns went under. Of course, there was a natural shrinkage of deposits, but that condition has been entirely recovered from now. There was not a single commercial or industrial failure. To-day Kentucky looks to the future with faith and hope. (Applause.)

LOUISIANA.

Mr. N. E. North: Louisiana in its products and capabilities agriculturally and otherwise is the most diversified State in the Union. The hour is too late for me to take up your time with enumerating all that we raise or might raise in the State, and I will simply content myself with the statement of the general fact.

The bankers of Louisiana are conservative, progressive men, and the financial institutions under their management are in a flourishing condition.

Maine: (No response.)

MARYLAND.

Mr. Edmunds: On behalf of Maryland I wish to say that we are a conservative people, and naturally we are so in banking. We not only did not have any failure during the last panic, but we have not had more than two or three failures in the State in over sixty years.

You have heard it said that Boston is the hub of the universe. I want to tell you that Baltimore is the gastronomic hub of the United States. We invite you all to come to Baltimore so that we can prove the fact to you. We will feed you on the finest canvas back duck, the best crabs you ever tasted and the far-famed diamond back terrapin. (Applause.)

Massachusetts: (No response.)

Michigan: (No response.)

Minnesota: (No response.)

MISSISSIPPI.

Mr. T. W. McCoy: Mr. President, members of the American Bankers' Association, Ladies and Gentlemen:

As vice president for the State of Mississippi, I wish to extend to every member of this association sincere greetings.

In spite of the made-to-order panic through which we have passed, I am glad to report that our State is fairly prosperous. We were perhaps hurt as little as any other section of the country, only two small bank failures being recorded, and those brought on by mismanagement rather than from general business conditions. We had a fine crop with good prices and but for money conditions which depressed prices somewhat, would have had a record-breaking year. Our deposits are about up to normal except in the lumber districts, where they have declined sharply. We have moderate crops in sight and with good prices should soon be in a position to send more money to our friends who keep our reserves, "but under the rules of the clearing house are not shipping currency."

Let us hope that, with the lessons drawn from the late unpleasantness, the members of this association will stand firmly together for sound and conservative business methods, and work continually for such legislation as will bring about the best results.

MISSOURI.

Mr. J. F. Farrell, of Missouri:

Mr. Chairman, Members of the American Bankers' Association, Ladies and Gentlemen:

I am especially pleased to have the privilege of presenting to such a distinguished body of gentlemen the greetings of Missouri and Missouri bankers. The Missouri Bankers' Association, with a membership of 1,192 (twenty-two of our members being brokers), out of a total number of 1,165 banks and trust companies, representing as it does all but one bank in our State, with a percentage of membership of 99.9-10, and if you please the largest and best association of all States in the matter of percentage, extends to the members of the American Bankers' Association here assembled, individually and collectively, its heartiest good wishes and good cheer. And, Mr. Chairman, it gives me additional pleasure to be able to report that, taking them as a whole, our banks are highly prosperous and in excellent condition. Our membership in this, the parent association, is approximately 350, a gain of fifty in the past year. This increase is due principally to the fact that our worthy secretary, Mr. Farnsworth, was a visitor at our last convention. While we have some apologies to offer for our small membership in this association, you have our assurance that this will be largely increased in the next year.

Missouri, notwithstanding the recent financial disturbances, has been and still is enjoying much prosperity, and reports we have received from various sections of our State indicate a very prosperous and successful year. The fact is Missouri is so wonderfully resourceful that it takes more than "a money panic" or even a Presidential election to put us to the bad.

While it is true there was a general decline in all lines of business the first months of the year, trade reports for the last few months are quite favorable. Our crop prospects are excellent, the marketing of which will have a tendency to stimulate trade and increase activity in all lines of business. Our financial, manufacturing and commercial concerns have nothing to complain of considering the severity of conditions last fall.

In Missouri we produce almost every known commodity in excess of the amount required for home use, and were we so disposed, we could live absolutely upon home products. I should like, if we had the time, to tell you in detail of our vast resources and of our many industries, and present to you facts and figures which would verify and justify the claims of we Missourians that we have the best State in the Union. This we sincerely believe, and being from Missouri, we will have to be "shown" to the contrary.

Permit me again to extend to you on behalf of Missouri and her bankers our very best wishes, together with a cordial invitation to come to Missouri and be "shown."

MONTANA.

Mr. Ramsey: I come from the State of Montana, the third largest State in the Union, a State in which you may get into your sleeping car at night and ride all night and the next day and still be in the same State when you wake up the next morning—(laughter)—

A Member: What's the matter—a breakdown?

Mr. Ramsey: Well, you see, it is a big State. I simply take this opportunity of saying, although we are modest up there, that we have everything and anything that you can find in any other State in this Union. Our mountain ranges, our plains, and our meadows are giving forth an abundant harvest, feeding our cattle and horses and supplying the wants of man in agriculture; and our mining industry, as you all know, is not excelled by that of any State in the Union.

NEBRASKA.

Mr. Black: Nebraska sends greetings to this convention. It has a little over 800 banks, of which 745 are members of the State association. The State association is divided into six groups, which hold annual meetings in the spring. These groups are all well attended, varying from 100 to 170 at every meeting. About 275 members of our State association belong to this association. We have a good State banking law, and through the influence of our State Examining Board and our State organization Nebraska banks have been so managed that not one single bank failed during the last panic and no depositor lost a cent.

The prospects in the State are good. We have splendid crops. We have good deposits, notwithstanding the panic.

And in conclusion, gentlemen, although our State is the home of one of the candidates for President, Nebraska at its meeting of bankers last week spoke with no uncertain sound upon the question of the guarantee of bank deposits, voting against it 3 to 1. (Applause.)

Nevada: (No response.)

New Hampshire: (No response.)

New Jersey: (No response.)

New Mexico: (No response.)

NEW YORK.

Mr. Bradford Rhodes: In bringing greetings from New York to the thirty-fourth annual convention of the American Bankers' Association, it is fitting to present, very briefly, some aspects of banking and business conditions in the Empire State.

General Business Conditions.

From a study of trade statistics it is clearly shown that there is a gradual improvement in the commercial situation, although the volume of trade has not expanded in proportion to the growth of confidence. Resumption of work at manufacturing plants is the best evidence of prosperity, the number of unemployed steadily though slowly diminishing. Foreign commerce at the port of New York for the latest week (September 19 figures) showed a gain of \$2,023,245 in exports and a loss of \$1,439,380 in imports. That indicates wholesome conditions and portends large trade balances in our favor in the near future. International balances are now much more favorable than a year ago.

To illustrate the trend of business activities in New York, a large Broadway establishment only the other day leased for a term of years two additional stores adjoining their present premises to be improved and added to the main store. The head of the concern, Mr. Edward Hatch, speaking of the lease, said in regard to the business situation:

"The business outlook is most encouraging. The country has been passing through a recuperative period. It has been taking a rest justly due it, from the phenomenal activity which reached its climax a year or so ago. * * * We are on the verge of the greatest period of prosperity this country has ever experienced.

Money is a drug. The crops are good, with a big market abroad, and the Presidential question is practically settled."

This opinion of the business outlook, in my judgment, harmonizes with the prevailing sentiment among conservative business men in the City of New York and throughout the State. Far-seeing merchants and business men generally do not believe that because business is not so good as it was a year ago, or even behind what it was, that prosperity has gone forever. Wholesalers and jobbers say that there never was a time when the stocks of merchandise were as low as it is present. Houses that should be carrying stocks of \$50,000 are reduced to \$10,000, and even lower. Although economies have been practiced, consumption has gone on. The purchasing power of the people was never greater than it is just now and it must be conceded that the time is ripe for a great expansion in general activity.

Banking Conditions.

Appended is a compilation, from official sources, showing the condition of the national banks, State banks, trust companies and savings banks in New York City, and also in the State of New York. The figures, if closely read, clearly indicate the general business situation, and show what a great height has been reached by each of the four classes of banks, the grand total amounting to \$5,443,579,200 as their resources.

These stupendous figures not only reflect the prosperity in the State of New York, but to a great extent the general prosperity throughout the United States. For it is well known that New York City being the chief financial centre of the United States, much of the large volume of banking business shown in that city is due to the prosperity throughout the entire country. In this connection it is interesting to note that total resources of all the national banks in the United States (6,824 in number) July 15, 1908, amounted to \$5,714,064,400.

Your attention is especially directed to the comparative statements of national banks, State banks and trust companies submitted herewith. (I will not read the figures in detail, but will ask that the tables be printed in the proceedings.)

From August 22, 1907, to July 15, 1908, deposits in the New York national banks increased \$300,000,000. Mark the figures! The great depository banks in New York met the demands made upon them during the recent world-wide money panic and they fully merit the unbounded confidence of their correspondents throughout the length and breadth of the United States.

On the contrary, from June 4, 1907, to June 17, 1908, the deposits in State banks decreased over \$40,000,000. It is thus shown how the world money panic which ran its course mainly through December and January, affected these institutions. A larger proportion of their deposits are local and the effect of the stringency was, therefore, more readily felt. To point out how rapidly this class of banks have gained since that period, it is seen that from February 8 to September 12, about seven months, their deposits have gained over \$58,000,000.

Even more instructive is the record of the trust companies. With aggregate deposits, August 22, 1907, of \$1,087,000,000, a comparison with figures of August 31, 1908, shows a decrease in deposits of only \$12,000,000; while from February 8 (nearest date to close of panic) to September 12, of the present year, a period of about seven months, their deposits have increased over \$204,000,000.

Particularly interesting from an economic standpoint is the fact that 2,719,598 people have open accounts in our savings banks, the total of their savings, July 1, 1908, amounting to \$1,378,000,000. These figures point out more eloquently than words the thrift and intelligent economy of the people. Habitual savers are good citizens. New York savings banks are provident institutions conducted under wise general laws. All the earnings after paying necessary expenses belong to the depositors. Working in their separate fields but toward a common end, the church, the public schools, and the savings banks develop a trinity of power, promoting righteousness and safeguarding the best interests of the State.

In reviewing the situation generally, I can see no reason to fear any catastrophe ahead of us. The lessons of the past have brought to the front strong and conservative management and the business men of the entire country, North, South, East and West, have reason to congratulate themselves on the fact that our banking business is in conservative hands.

President Powers: I desire to introduce to the convention as a gentleman who will also respond from New York, Mr. Clark Williams, State Banking Superintendent.

Mr. Clark Williams, State Superintendent of Banking, New York: Mr. President and Gentlemen, I stand before you not as a man connected with any financial institution, and I must rely upon your courtesy to hear me for a moment. As Superintendent of Banks of the State of New York I represent \$3,517,000,000 of banking power, equal to 20 per cent. of all the institutions doing a banking business in the United States. During the last year we passed through a great financial panic, the general causes of which are familiar to all, and the storm centre of that panic was in New York City. Thirteen institutions under our supervision closed their doors—institutions whose aggregate assets amounted to \$125,000,000. These institutions, gentlemen, were solvent, and, with the exception of two which have liquidated and have paid all claims against them in full, all have resumed without a dollar's loss to a single depositor. (Applause.) I ask you, gentlemen, could a guarantee plan have produced any more satisfactory result?

I am here, too, indirectly representing a constituency of three millions of people, customers of the financial institutions under our supervision, and when I return home I shall hear from that constituency an expression of sincere gratification to the members of this convention for the action which you have taken to-day.

Gentlemen, I thank you. (Applause.)

North Carolina, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, South Carolina, South Dakota, Tennessee, Texas, Utah and Vermont, each responded through delegates from those States to the effect that they would forward to the secretary of the convention statements of the conditions in their various States for publication in the official proceedings of the convention.

VIRGINIA.

Col. James R. Branch: Mr. President and Gentlemen of the Convention, I feel deeply honored at having been selected by the dele-

gates from my old home to respond to the call of Virginia, a State so rich in memories, traditions and resources that every man or woman born within her confines is proud of the heritage of being a Virginian.

I will not enter into any statistics nor will I attempt the impossible task of portraying her many splendors, past and present, in a five-minute speech.

She sends you greetings and best wishes for a successful, instructive and effective convention.

Virginia's streams teem with fish, her mountains and valleys with game, her womb is filled with countless treasures of iron, coal, copper, gold and other minerals yet unborn.

Virginia's prosperity and the growth of her banks in numbers and assets are steadily mounting upwards, as shown by the reports of her clearing houses. Her manufactures are on the increase and she is becoming more prosperous day by day. Within her borders there are four hundred banks with aggregate capital and surplus of \$41,355,000 and deposits of \$129,514,000; of these institutions all of the most progressive are members of the American Bankers' Association.

The bankers of the Old Dominion want you to know that notwithstanding the hard times through which the country has been passing, that during the panic of last fall not a single one of her banks closed its doors nor did Richmond or Norfolk issue any clearing house certificates, but paid every obligation in cash.

Virginia wants you to know that while the State has always been in the Democratic column her banks are opposed to paternalism and the Socialistic idea of government guarantee of bank deposits or postal savings banks.

She wants you to know that no State within the Union is more desirous of helping toward the success of the American Bankers' Association, and that notwithstanding the Civil War and its dire effects, she yields place to no State for patriotism, love and loyalty to our honored flag and our great and united country.

Nearly fifty years ago Virginia was the battle ground of the greatest strife known in history and her men wore the gray; ten years ago many of these veterans and their sons wore the blue against a foreign foe. Sectional lines were erased for all time to come. There is no North, South, East or West, but one common country in which we all glory--the United States of America. Should any ambitious nation or combined nations embroil our peaceable country in war, I can safely promise you that not only Virginia but all the old Confederate States will send more than their full quota for the defense of our beloved and common country. (Applause.)

In conclusion may I inject a personal note by individually thanking this great organization for the many courtesies it has shown me during my thirteen years' service as one of its officers, express my regard and desire for a continued prosperity, and having some experience, may I congratulate my successor, Col. Fred. E. Farnsworth, on the admirable way he has fulfilled his duties and for the splendid report he has made to this convention. (Applause.)

Washington, West Virginia, Wisconsin and Wyoming responded through delegates from these States to the effect that they would send a written report to the Secretary for publication in the proceedings.

There was no response from Canada, Cuba, Hawaiian Islands, Mexico, Porto Rico, or Isle of Pines.

President Powers: Gentlemen, the next order of business is the report of the Committee on Nominations, and the Chair recognizes Mr. Yates, of Omaha, Chairman of the Committee on Nominations.

Nominations and Elections.

Mr. Henry W. Yates, of Omaha, Nebraska: Mr. President and Gentlemen of the Convention, I have the honor to present the following report:

For President: George M. Reynolds, President Continental Bank, Chicago, Ill.

For Vice-President: Lewis E. Pierson, President Irving National Bank, New York, N. Y.

For members of the Executive Council, as nominated at conventions of State Associations and certified to this Association by the secretaries of the respective State Associations:

James M. Elliott, President First National Bank, Los Angeles, California.

Geo. W. Peltier, Vice-President California National Bank, Sacramento, California.

Fred G. Moffat, Cashier First National Bank, Denver, Colorado.

Alfred Spencer, Jr., President Aetna National Bank, Hartford, Conn.

Blou H. Barnett, President Barnett National Bank, Jacksonville, Florida.

L. A. Goldard, Vice-President State Bank, Chicago, Ill.

H. A. Chapman, Director Jersey State Bank, Jerseyville, Illinois.

Walter W. Bonner, Cashier Third National Bank, Greensburg, Ind.

Chas. H. McNider, President First National Bank, Mason City, Ia.

Charles M. Sawyer, President First National Bank, Norton, Kansas.

Logan C. Murray, President American National Bank, Louisville, Ky.

George W. Bolton, President Rapids Bank, Alexandria, La.

James R. Edmunds, Vice-President National Bank of Commerce, Baltimore, Maryland.

William Livingstone, President Dime Savings Bank, Detroit, Michigan.

James A. Latta, Vice-President Swedish American National Bank, Minneapolis, Minn.

T. W. McCoy, Assistant Cashier First National Bank, Greenville, Miss.

David H. Pierson, Cashier Bank of the Manhattan Company, New York City, N. Y.

Hiram B. Smith, President Bank of Rockville Centre, Rockville Centre, N. Y.

Luther W. Mott, Vice-President and Cashier First National Bank, Oswego, N. Y.

John F. Bruton, President First National Bank, Wilson, North Carolina.

C. E. Batcheller, Cashier First National Bank, Fingal, North Dakota.

E. W. Lixby, Cashier First National Bank, Ironton, Ohio.

F. J. Woodworth, Vice-President First National Bank, Cleveland, Ohio.

J. C. Ainsworth, President United States National Bank, Portland, Oregon.

William A. Law, Vice-President Merchants' National Bank, Philadelphia, Pa.

Robert E. James, President Easton Trust Company, Easton, Pa.

W. L. Gorgas, Cashier Harrisburg National Bank, Harrisburg, Pa.

A. S. Beymer, Cashier Keystone National Bank, Pittsburg, Pa.

Edwin W. Robertson, President National Loan & Exchange Bank, Columbia, South Carolina.

J. C. Bassett, President Aberdeen National Bank, Aberdeen, South Dakota.

John M. Miller, Jr., Vice-President and Cashier First National Bank, Richmond, Va.

Miles C. Moore, President Baker-Boyer National Bank, Walla Walla, Wash.

Robert L. Archer, Cashier West Virginia National Bank, Huntington, W. Va.

For members of the Executive Council from States and Territories where the membership in the American Association is less than 100, the total membership aggregating 581 members:

W. V. Cox, President Second National Bank, Washington, D. C.

L. A. Coate, Vice-President of Bank of Commerce, Boise, Idaho.

Frank Knox, President National Bank of the Republic, Salt Lake City, Utah.

For member of the Executive Council representing the Trust Company Section:

Oliver C. Fuller, Chairman Executive Committee, President Wisconsin Trust Company, Milwaukee, Wis.

For member of the Executive Council representing the Savings Bank Section:

Edward L. Robinson, Vice-President Eutaw Savings Bank, Chairman Executive Committee, Baltimore, Md.

For member of the Executive Council representing the Clearing House Section:

E. R. Fancher, Chairman of the Executive Committee, Cashier Union National Bank, Cleveland, Ohio.

For member of the Executive Council representing the American Institute of Banking:

J. H. Puellcher, Chairman of the Executive Council, Cashier Marshall & Hisey Bank, Milwaukee, Wis.

For Vice-Presidents of the different States and Territories.

Alabama: R. P. Anderson, Cashier Selma National Bank, Selma.

Alaska: S. A. Bonfield, President First National Bank, Fairbanks.

Arizona: A. G. Smith, Cashier Globe National Bank, Globe.

Arkansas: H. L. Rummel, President Mercantile Trust Company, Little Rock.

California: Joseph D. Radford, Vice-President German-American Savings Bank, Los Angeles.

Colorado: E. S. Irish, Assistant Cashier Denver National Bank, Denver.

Connecticut: B. G. Bryan, Colonial Trust Company, Waterbury.

Delaware: Phillip L. Cannon, President First National Bank, Seaford.

District of Columbia: George W. White, Vice-President Commercial National Bank, Washington.

Florida: George E. Lewis, Assistant Cashier First National Bank, Tallahassee.

Georgia: Rufus H. Brown, Assistant Cashier Georgia Railroad Bank, Augusta.

Idaho: Frank W. Kettenbach, President Lewiston National Bank, Lewiston.

Illinois: W. E. Stone, Vice-President and Cashier First National Bank, Peoria.

Indiana: Charles E. Bond, Vice-President Old National Bank, Ft. Wayne.

Iowa: A. F. Balch, President Marshalltown State Bank, Marshalltown.

Kansas: W. J. Bailey, Vice-President Exchange National Bank, Atchison.

Kentucky: S. Thurston Ballard, Vice-President Louisville National Banking Company, Louisville.

Louisiana: N. E. North, Cashier First National Bank, Lake Charles.

Maine: E. G. Wyman, Cashier First National Bank, Bangor.

Maryland: Waldo Newcomer, President National Exchange Bank, Baltimore.

Massachusetts: Frederick W. Rugg, President National Rockland Bank of Roxbury, Boston.

Michigan: Dudley E. Walters, President Grand Rapids National Bank, Grand Rapids.

Minnesota: F. A. Chamberlain, President Security National Bank, Minneapolis.

Mississippi: Walter Broach, Assistant Cashier First National Bank, Meridian.

Missouri: J. C. Schneider, President German-American Bank, St. Joseph.

Montana: A. J. Davis, President First National Bank, Butte.

Nebraska: S. K. Warrick, Cashier First National Bank, Alliance.

New Hampshire: Frank C. Bates, Director First National Bank, Somersworth.

New Jersey: Dewitt Van Buskirk, Vice-President First National Bank, Bayonne.

New Mexico: R. M. Turner, Vice-President Sierra County Bank, Hillsboro.

Nevada: George S. Nixon, President First National Bank, Winnemucca.

New York: Arthur Kavanagh, Cashier National City Bank, New York.

North Carolina: W. H. White, Cashier First National Bank, Salisbury.

North Dakota: R. C. Kittell, President First National Bank, Casselton.

Ohio: Samuel D. Fliton, President First National Bank, Hamilton.

Oklahoma: H. L. Jarboe, Jr., Cashier Oklahoma State Bank, Chickasha.

Oregon: T. G. Hendricks, President First National Bank, Eugene.

Pennsylvania: E. E. Lindemuth, President Clearfield Trust Company, Clearfield.

Rhode Island: Frank W. Peabody, Cashier Atlantic National Bank, Providence.

South Carolina: J. P. Matthews, Cashier Palmetto National Bank, Columbia.

South Dakota: R. H. Driscoll, Cashier First National Bank, Lead.

Tennessee: J. E. Fox, Cashier First National Bank, Rookwood.

Texas: W. H. Rivers, President Elgin National Bank, Elgin.

Utah: W. S. McCormick, of McCormick & Co., Salt Lake City.

Vermont: Bradley B. Smalley, President Burlington Trust Company, Burlington.

Virginia: P. M. Pollard, Cashier Petersburg Savings & Insurance Co., Petersburg.

Washington: Victor A. Roeder, President Bellingham National Bank, Bellingham.

West Virginia: Harry W. Chaddock, Cashier Grafton Banking & Trust Company, Grafton.

Wisconsin: E. C. Zimmerman, Cashier Marathon County Bank, Wausau.

Wyoming: T. A. Cosgriff, President First National Bank, Cheyenne.

Cuba: Norman H. Davis, Vice-President The Trust Company of Cuba, Havana.

Hawaiian Islands: C. C. Kennedy, President First National Bank of Hilo, Hilo.

Porto Rico: Mr. Mullenhoff, of Mullenhoff & Korber, San Juan.

It was moved and seconded from all parts of the hall that the report of the Nominating Committee be received with the thanks of the convention and that the nominees named by it be approved.

President Powers: Gentlemen, you have heard the motion, to receive the report of the Nominating Committee and approve of the same, which, of course, means to elect the gentlemen named. All in favor of the motion will manifest it by saying Aye; opposed, No.

Carried.

It affords me great pleasure, gentlemen, to announce the election of the gentlemen as named in the report of the Nominating Committee. (Applause.)

President Powers: Mr. Reynolds: You have been elected by the American Bankers' Association to preside over it during the coming year and it is with very great personal pleasure that I now give to you this badge of office which distinguishes you as President. (Applause.)

In doing so permit me to say that I take it off with more pleasure than I put it on, and I doubt not you will do the same. (Laughter.)

Sir, you are peculiarly fitted for this position. You have been the treasurer of this association, you have been Chairman of its Executive Council, and you have been Vice-President of the Association. Now you have been elected President, and I know that no worthier man has ever been selected to take charge of the destinies of the association. It is with extreme pleasure that I introduce you to the convention and turn over the reins of direction to your care—so far as I am concerned relinquishing for all time direction of the affairs of the association, and thanking the association for the many courtesies received at its hands and the officers for their cordial support during the past very successful year. (Applause.)

President-elect Reynolds: First of all, Colonel Powers, permit me to thank you for the personal reference that has been made concerning myself, which I assure you I appreciate in the highest degree; and, gentlemen of the American Bankers' Association, for the honor you have conferred in electing me President I thank you from the bottom of my heart.

I regard the American Bankers' Association as the greatest organization of the kind in the world and naturally I have a very high appreciation of the honor in being its President, but I hold in much higher appreciation the confidence and good will which your vote has shown that you have in me. I have been honored so frequently during the past twelve years by this association that I feel that if I were possessed of the heart currency of which we heard yesterday in an amount sufficient to discharge my obligations, I very much fear that I would be in danger of being classed with the predatory rich.

The hour is very late, and I shall not detain you with any further remark; and, instead of an address, I am going to tell you a story that the lateness of the hour causes to come to my mind. A preacher one Sunday morning when addressing his congregation noticed his little boy up in the gallery dropping green chestnuts with the burrs still on them down on the heads of some people in the audience, and the minister nervously motioned to the boy to stop it. The boy whispered out "Never mind, father, go ahead with your preaching, I'll keep them awake." (Laughter.)

I am not unmindful of the duties undertaken and responsibilities involved in my acceptance of this office, but I hope with your co-operation and assistance to do everything that I can not only to maintain the present high standard of efficiency of the work of the association, but if possible to increase it. I hope the members of the association as well as the officers will each of them in their individual capacity do all that they can to create the best possible relationships between the bankers of the country and the masses of the people, for I believe that we will never come up to the full measure of our expectation either individually or collectively until we have the utmost sympathy existing between the people and the bankers. I look to the future with the greatest

confidence. In view of the speeches that I have heard here this afternoon relating to the condition of business in every State of the Union, I am almost inclined to believe that we have had no panic in this country; in any event, it seems that the effect of the panic has been dissipated, and that now we are looking towards the future with every confidence that we know we are again travelling on the road of prosperity with little if anything to interrupt its progress.

Mr. John L. Hamilton, of Illinois: I have been commissioned by the members of this association to bestow upon our worthy retiring President the badge of office and with it to assure him of the association's appreciation of his services and of the universal courtesy that he has always extended to every member of it and of his untiring zeal in helping the various committees in the work they were performing. I assure you, Colonel Powers, that we every one of us appreciate in the deepest possible sense the services you have rendered us. (Applause.)

Set of Silver for Retiring President.

Mr. Russell, former President of the association, of Detroit, Mich.:

Before I undertake the very pleasant duty assigned me by the association I should like to say one personal word. Ten years ago the convention of the American Bankers' Association held in this city of Denver conferred upon me the greatest honor of my life, and I came back to it to-day with no little inconvenience to myself, to meet the old friends in the place where so great honor was, as I feel, unworthily thrust upon me. It has been a source of great delight, and I wish to express my appreciation for what the association did then and for its kindness to me ever since, and to testify to the great satisfaction that I have experienced here in the opportunity of shaking hands with the many friends who have stood by the association during all these years. (Applause.)

I am assigned by the Executive Council to make a presentation to our retiring President in appreciation of his excellent services rendered to the association, the able manner in which he has presided over this convention and his always uniform courtesy. It is a very great pleasure to me that I have been given this duty to perform, for if there is any man whom I esteem and who I believe is a friend of mine it is Colonel Josh Powers of Kentucky.

Eleven years ago we clasped hands, we looked into each other's eyes, and we have been the best of friends ever since—a friendship that will continue through life. And, gentlemen, friendship at our age means something. (Applause.) It is said to be the fruition of love—better than love. I have the most sincere friendship for Colonel Powers, and I know that I represent every seat in this hall filled with people; Colonel, you must imagine that every delegate is here and that every one in the association is behind me when I tender to you this gift as a testimonial of the love and affection that they bear for you, one and all.

It has been the custom in times past for the Executive Council to select a punch bowl to give the retiring President, and that custom I understand was about to be followed when somebody said, "What is the use of giving a Kentucky gentleman a punch bowl? Possibly he has got one in every room already." (Laughter and applause.) Then, appreciating the fact that the prohibition wave now upon the whole country might in time reach even Kentucky, something better was thought of, and it was arranged to present a set of silver. So even if there is no drink to be portioned out in Kentucky, these pieces of silver will ever hold the heartiest vlands that the charming hospitality of Colonel Powers has even been noted for.

We ask and pray that God may give Colonel Powers long life to sit at the head of the stable, to entertain his friends, and with his family gathered around him. May he know and believe that every one in this association knows him and loves him and thanks him for what he has done and wishes him a long life and a happy one. (Applause.)

Retiring President Powers: My dear old friend: You have awakened in my heart sentiments which I shall not only cherish always, but which gives me a keenness of appreciation that could not be made greater or brought closer to my very soul than does this gift, coming as it does from the hands of George Russell, of Detroit. True, we have clasped hands and looked in each other's eyes, and a friendship was there inaugurated which has ended in the fruition of love that one gallant man from the great State from which you hail and the great city that you represent meets and reciprocates from another man from the old State of Kentucky. I thank you, sir, for what you have said. I thank you, and the members of this association, for these beautiful tokens of your friendship and respect, and I assure you that they will be carried into my home and that my children and my grandchildren will ever look upon them as mementoes testifying to the appreciation in which their father and grandfather was held by those with whom he was associated in the American Bankers' Association. (Applause.)

President Reynolds: Mr. Pierson, I take pleasure in welcoming you as the First Vice-President of the association. (Applause.) Among all the members of the association I know

of no one whom I would prefer to have act as my assistant during the coming year, and it is a great satisfaction to know that I am to continue for at least another year to be associated with you. (Applause.)

Vice-President-elect Pierson: Mr. President and Gentlemen, I will not make a speech; I will simply thank you for the honor conferred upon me. (Applause.)

President Reynolds: What is the further pleasure of the convention?

RESOLUTIONS OF THANKS.

Mr. J. J. Sullivan, of Cleveland, Ohio: As a feeble expression of many courtesies extended to us in this city I desire to offer the following resolution:

Resolved, That the delegates assembled at this convention do hereby extend our sincere thanks to the citizens of Denver, to the bankers of Denver, and to the members of the Press for the ideal arrangements made for this convention, for the entertainment and reception of the visiting bankers and guests and for all courtesies so hospitably extended; to the telegraph and telephone companies for courtesies extended; to the railway companies for the efficient transportation facilities afforded, and to the hotel proprietors for the highly satisfactory accommodations furnished; and also that our thanks be ex-

tended to the distinguished gentlemen who have delivered admirable and instructive addresses before us.

The adoption of the resolution was unanimously seconded and carried by a rising vote.

President Reynolds: A motion to adjourn will be in order. On motion the convention adjourned *sine die*.

MEETING OF THE NEW EXECUTIVE COUNCIL.

A meeting of the new Executive Council was held at 8:30 P. M. October 1, 1908, at the Brown-Palace Hotel.

F. O. Watts, President of the First National Bank, of Nashville, Tenn., was elected Chairman for the ensuing year.

Mr. Fred E. Farnsworth, of New York, was re-elected Secretary.

Mr. William G. Fitzwillson, of New York, was re-elected Assistant Secretary.

Mr. P. C. Kauffman, of Tacoma, Washington, was elected Treasurer.

Mr. Thomas B. Paton, of New York, was elected Counsel to the Association.

The Council votes to hold the next convention of the association in Chicago, the time to be fixed at the spring meeting of the Council.

After disposing of routine business the Council adjourned.

The Continental National Bank OF CHICAGO

Capital, Surplus and Profits, \$7,000,000.00

Deposits, - - - - - \$70,000,000.00

OFFICERS

GEORGE M. REYNOLDS, President	HERMAN WALDECK, Asst. Cashier
ALEX. ROBERTSON, Vice President	F. H. ELMORE, Asst. Cashier
WM. G. SCHROEDER, Cashier	WILBER HATTERY, Asst. Cashier
BENJ. S. MAYER, Asst. Cashier	J. R. WASHBURN, Asst. Cashier

BOARD OF DIRECTORS

JOHN C. BLACK, CHAIRMAN OF THE BOARD	EDWARD HINES
J. OGDEN ARMOUR	FRANK HIBBARD
ALBERT J. EARLING	F. E. WEYERHAEUSER
HENRY BOTSFORD	SAMUEL McROBERTS
B. A. ECKHART	ALEX. ROBERTSON
WM. C. SEIPP	
GEORGE M. REYNOLDS, PRESIDENT	

TRUST COMPANY SECTION

AMERICAN BANKERS' ASSOCIATION

Thirteenth Annual Meeting, Held at Denver, Colo., September Twenty-ninth, 1908.

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The Trust Company—A Necessity.

BY BRECKINRIDGE JONES, President Mississippi Valley Trust Co. of St. Louis.

The trust company and the bank are fundamentally different institutions. Co-ordinate branches of finance, each is necessary to meet the varying needs of a complex-developed business community. In the rural district and in the ordinary town and small city there is no occasion for a trust company. There must be unusual conditions if it can thrive there. This is not due to prejudice or want of experience, but to the fact that the business on which a trust company must live does not, as a rule, exist there.

The financial requirements of scattered farmers or small settlements are generally not sufficient to support even an incorporated bank. There is not there the volume of business to make large surplus wealth, and life is not so strenuous but that the individual, having money not needed in his limited business, has the leisure and familiarity with the needs of his neighbors to enable him to properly lend such surplus. The natural development is, first, the private lender. Next, when the volume of business has sufficiently increased to pay one to give all his time to it, the private banker. With further development, when the volume has become large enough and continuity of affairs so important as to make depositors and borrowers unwilling to take the risks of complications and delays incident to the death of the private banker and the administration of his estate, then comes the incorporated bank. It meets all the requirements for handling the movable wealth; gives lines of credit in proportion to balances; makes small loans; distributes them among its depositors; makes them on such short time as to anticipate the demands incident to the change of the seasons. Individual investors still make the loans on real estate and such other loans as may not be suited to the bank; or, it may be, by State law, adjustable to local conditions, has given limited power to its State banks to make such loans. Relatives or friends, having ample time, act as executor, administrator, guardian or trustee. There are no corporate mortgages large enough to require a corporate trustee; or, if there are, one is sought in some large city, so as to give credit where there is sufficient surplus wealth to enable issues of bonds to be sold or large transactions to be financed.

But when the community has greatly developed, when there has come a density of population and an aggregation of wealth with its diversified requirements and divers classes of people, and when the race of life has become so swift that to be successful one must give his undivided attention to his own affairs, then there comes demand for some other broader and more elastic financial institution.

History shows this sequence. American restless genius

was put to find a solution. Banks in New York City would not make loans on real estate to people living outside the city. Something more than a bank was needed. There was a suggestion in the Agency houses in India that were such prime factors in development there.

The New York Legislature in 1822 passed an act incorporating what is now the Farmers' Loan & Trust Company, one of the purposes being of "accommodating the citizens of the State residing in the country with loans on the security of the property (which cannot now be done without great difficulty)." As this company was for the benefit of the people who did not reside in the city, it became evident, especially on account of the lack of transportation facilities in those days, that the interests, not only of the people but also of the corporation, would be subserved if it could also act as their trustee. So in the year the charter was granted the company was given power to accept and execute all lawful trusts created by deed or devise—the first instance in this country where trustee powers were given to a corporation.

The same problem, that is, that the banks had not broad enough powers to give full response to the needs of the communities, was met in some like manner in Pennsylvania. The Pennsylvania Company for Insuring Lives and Granting Annuities was given power to act as trustee in 1836. Thus the seed was sown. In response to an economic need that the banks did not satisfy, it took root, germinated and produced more and, by development, better of its kind.

Soon the business of insurance, both life and fire, grew to such proportions as to require the incorporation of separate companies therefor. But the trust company had made itself the exponent in the broad field of corporate agency. It naturally drew to itself other powers cognate to those that had brought it into existence.

The wisdom of the fathers left in the States the right to regulate their internal affairs. The States have had and should always have their State banks, suited in each State to the needs of its people and free from dominion of the Federal Government or any of its agencies.

Yet the marvelous development that followed our independence soon made evident our need for some sort of a national or United States Bank. A national currency was required; and the government found need for an acceptable fiscal agent. The consumable products of the country had to be moved from State to State and to foreign countries; a recognized standard currency was required to facilitate such exchange; there was a demand for an institution whose credit was broader than State lines. Establishing a bank

was not among the enumerated powers of the Federal Government, but the Supreme Court held that when power is given to the government there is implied the ordinary means of execution and the reasonable selection of means, and that a bank is a convenient, a useful and essential instrument in the prosecution of the government's fiscal operation. (*McCulloch vs. Maryland*, 4 Wheat.)

Under this implied power Congress created the first and second United States Banks and passed the National Bank Act. None of these banks thus provided for was allowed to lend on real estate. The acts creating them and their history pulsate with the idea that their cardinal purpose was to provide an adequate currency and thereby help public credit and incidentally to facilitate the exchange of commodities. It was never claimed for either of the United States banks that they were other than banks of issue, discount and deposit. Their operations were jealously watched and strictly confined to their charter powers.

To appreciate the necessity for a more flexible institution, one more easily adapted to local conditions, such as the modern trust company, a clear comprehension of the limitations placed by law on national banks is essential.

In 1862 President Lincoln, in his message recommending the National Bank Act, gave the fundamental reason therefor that a safe and uniform currency could at once protect labor against the evils of a vicious currency and facilitate commerce by cheap and safe exchanges.

The act as passed has been repeatedly construed. That you may have the line of thought clearly before you, I quote from one decision quite at length, even at the risk of being tiresome. A great court in a leading case repeatedly cited with approval by the United States courts has said: (*Weckler vs. First National Bank*, 42 Maryland 581.)

"So far as the purpose of the law is indicated by its title, it is, 'to provide a national currency secured by a pledge of United States bonds, and to provide for the circulation and redemption thereof.' After prescribing in previous sections the mode by and the conditions under which banking associations may be formed, the 8th section declares that every association so formed shall become a body corporate from the date of its certificate of organization, but shall transact no business 'except such as may be incidental to its organization, until authorized by the Comptroller of the Currency to commence the business of banking.' Power is then given to adopt a corporate seal, to have succession by the name designated in its organization certificate, and in that name to make contracts and sue and be sued, to elect directors and other officers, 'and exercise under this act all such incidental powers as shall be necessary to carry on the business of banking by discounting and negotiating promissory notes, drafts, bills of exchange, and other evidences of debt, by receiving deposits, by buying and selling exchange, coin and bullion, by loaning money on personal security, and by obtaining, issuing and circulating notes according to the provisions of this act.' This is the only portion of the statute to which, for the purpose of this case, it is necessary to refer. By it the associations are not simply incorporated as banks, and the scope of their corporate business left wholly to implication, but the kind of banking which they can conduct is limited and defined. As we read the language of this 8th section, it authorizes the associations to carry on banking 'by discounting and negotiating promissory notes,' etc., and to exercise 'all such incidental powers' as shall be necessary to conduct that business. The mode in which the incidental powers may be exercised is not defined, but all incidental powers which they can exercise must be necessary or incidental to the business of banking thus limited and defined. To the usual attributes of banking, consisting of the right to issue notes for circulation, to discount commercial paper and receive deposits, this law adds the special power to buy and sell exchange, coin and bullion, but we look in vain for any grant of power to engage in the business charged in this declaration. It is not embraced in the power to 'discount and negotiate' promissory notes, drafts, bills of exchange and other evidences of debt. The ordinary meaning of the terms

'to discount' is to take interest in advance, and in banking is a mode of loaning money. It is the advance money not due till some future period, less the interest which would be due thereon when payable. The power 'to negotiate' a bill or note is the power to indorse and deliver it to another so that the right of action thereon shall pass to the indorsee or holder. No construction can be given to these terms as used in this statute so broad as to comprehend the authority or sell bonds for third parties on commission, or engage in business of that character. The appropriate place for the grant of such a power would be in the clause conferring authority to 'buy and sell,' but we find that limited to specific things, among which bonds are not mentioned, and upon the maxim, *expressio unius est exclusio alterius*, and in view of the rule of interpretation of corporate powers before stated, the carrying on of such a business is prohibited to these associations. Nor can we perceive it is anywise necessary to the purpose of their existence, or in any sense incidental to the business they are empowered to conduct, that they should become bondbrokers or be allowed to traffic in every species of obligations issued by the innumerable corporations, private and municipal, of the country. The more carefully they confine themselves to the legitimate business of banking as defined in this law, the more effectually will they subserve the purposes of their creation. By a strict adherence to that, they will best accommodate the commercial community, as well as protect their shareholders.

"Such is our construction of this statute, and it is supported by the best considered authorities and the decided preponderance of judicial opinion in other States. This eighth section is almost identical in terms (and as respects the present question completely so), with the Banking Act of New York, of 1838, ch. 260, and the Court of Appeals of that State, in *Talmage vs. Pell*, 3 Seld. 28, held that banking associations formed under the law have authority only to carry on the business of banking in the manner and with the powers specified in the act, and have no power to purchase State stocks, to sell at a profit or as a means of raising money, except when received as security for a loan, or taken in payment of a loan or debt. In speaking of the transaction under review in that case, that court says the banking company 'purchased these bonds as they might have purchased a cargo of cotton to send to market to be sold at the risk of the vendor for the highest price that could be obtained. No authority to traffic in either commodity is expressly given by the law of 1838. It is, therefore, claimed as a power incident to business of banking. But the 18th section of the act declares that this business shall be carried on by discounting bills, notes and other evidences of debt, by loaning money on real and personal security, by buying and selling gold and silver bullion, foreign coins and bills of exchange, etc. The subjects pertaining to the business of banking are designated, and the express powers of the association are limited to them, and to such incidental powers as may be necessary to transact the business thus defined by the legislature.'"

A NATIONAL BANK HAS NOT THE GENERAL RIGHT TO DEAL IN BONDS, OTHER THAN GOVERNMENT, NOR TO ACT AS BROKER IN SUCH DEALING.

In the leading case that was decided by the United States Supreme Court a national bank sought to evade responsibility on a contract by pleading that its purchase of some bonds of a municipal corporation issued in aid of a railroad was beyond its corporate power. Its contention seems to have been admitted as "too clear to admit of dispute." (*Logan County National Bank vs. Townsend*, 139 U. S. 67.)

In *Farmers' & Merchants' National Bank vs. Smith*, 77 Fed. Rep. 129, Judge Thayer, who rendered the opinion, said:

"Concerning the power of the defendant bank to engage in the business of selling mortgage bonds on commission, little need be said, because it does not seem to be claimed that such a power could be lawfully exercised by the bank. The brokerage business is entirely distinct from the business of banking which it was authorized to transact. If a national bank can

lawfully act as broker in selling farm mortgages for a commission, no reason is perceived why it may not act in the same capacity in selling any other species of property, real or personal. The national bank act does not in terms or by necessary implication authorize national banks to act as brokers in negotiating the sale of securities, and it is generally agreed that they cannot lawfully engage in such business. (*Weckler vs. Bank*, 42 Md. 581; *Wiley vs. Bank*, 47 Vt. 546; *First National Bank of Lyons, vs. Ocean National Bank*, 60 N. Y. 278; *Talmage vs. Pell*, 7 N. Y. 328.)"

As to what further power for investment in bonds has been granted in late legislation (such as the *Vreeland Bill*) and what effect this legislation has had on the charters of the banks, there is still some doubt, as the courts have not been called upon to pass on this question; but certainly any power so granted would be strictly construed.

NOR HAS A NATIONAL BANK THE RIGHT TO OWN OR DEAL IN STOCKS.

In *First National Bank of Charlotte vs. National Exchange Bank of Baltimore*, 92 U. S. 122, after discussing the incidental power clause, the court said:

"Dealing in stocks is not expressly prohibited, but such a prohibition is implied from the failure to grant the power. In the honest exercise of the power to compromise a doubtful debt owing to a bank, it can hardly be doubted that stocks may be accepted in payment and satisfaction with a view to their subsequent sale or conversion into money so as to make good or reduce an anticipated loss. Such a transaction would not amount to a dealing in stocks."

In *Schofield vs. Goodrich Bros. Banking Co.*, 98 Fed. Rep. 271, the court said:

"Each of these courts (U. S. and Nebraska) has held that the purchase of stock of another corporation as an investment, and not as security or in payment of a debt, by a corporation simply empowered to transact a banking business is beyond its powers and void, and that since such a purchase is *ultra vires* and void it cannot be made or validated by estoppel. *Bank vs. Kennedy*, 167 U. S. 362, 366, 371; 17 Sup. Ct. 831; *Bank vs. Hart*, 37 Neb. 197, 201, 206; 55 N. W. 631."

Up till 1876 the courts uniformly held that a national bank could not take a note secured by real estate and foreclose the mortgage upon default of the note. But in that year the United States Supreme Court held (*Mathews vs. Skinker*, 98 U. S. 621), that as between the parties the contract should hold good even though the bank acted *ultra vires* in making the loan and that the objection could only be reached by the government. (*National Bank vs. Whitney*, 103 U. S. 99, and *Fortier vs. New Orleans National Bank*, 112 U. S. 439.)

NOR HAS A NATIONAL BANK THE POWER TO GUARANTEE THE PAYMENT OF A DEBT BY A THIRD PARTY, NOR TO BECOME SURETY ON A BOND, NOR TO CONTRACT TO PROTECT AN INDIVIDUAL WHO BECOMES SUCH AT ITS REQUEST.

In *Commercial National Bank, et al., vs. Pirie, et al.*, 82 Fed. Rep. 799, Judge Thayer, who rendered the opinion, says:

"The act of Congress under which the bank was organized confers no authority upon national banks to guaranty payment of debts contracted by third parties, and acts of that nature whether performed by the cashier of his own motion or by direction of the board of directors are necessarily *ultra vires*. The national bank may endorse or guaranty the payment of commercial paper which it holds when it rediscounts or disposes of same in the ordinary course of business. Such power it seems the national bank may exercise as incident to the express authority conferred on such banks by the national bank act to discount and negotiate promissory notes, drafts, bills of exchange and other evidences of debt. (*People's Bank vs. National Bank*, 101 U. S. 181, 183; *U. S. National Bank vs. First National Bank*, 49 U. S. App. 67; 24 C. C. A. 597 and 79 Fed. Rep. 296); but it has never been supposed that the board of directors of a national bank can bind it by contracts of suretyship or guaranty, which are made for the sole benefit and advantage of others. The national bank act confers no such authority in express terms or by fair implication, and the exercise of such power by such corporations would be detrimental to the interests of depositors, stockholders and the public generally. *Norton vs. Bank*, 61 N. H. 589; *State National Bank of St. Joseph vs. Newton National Bank*, 32 U. S. App. 52, 58; 14 C. C. A. 61, 64; and 66 Fed. Rep. 691, 694; *Bank vs. Smith*, 40 U. S. App. 690; 23 C. C. A. 80, and 77 Fed. Rep. 129." See *Bowen vs. Needles National Bank*, 87 Fed. Rep. 430; *Secher vs. Commercial N. B. of Ogden*, 77 Fed. Rep. 957.

OTHER LIMITATIONS OF NATIONAL BANKS.

In *First National Bank of Lyons vs. Ocean National Bank*, 60 N. Y. 278, in arguing as to the extent of the implied power of a bank, the court said:

"It does not necessarily include the business of a safe-deposit company or business of safe-keeping and storage for hire or without compensation jewelry and valuables or property of any kind."

In Pratt's Digest of the National Banking Law, there is the following:

"The Comptroller of the Currency holds that while there is no provision of the statute authorizing national banks to invest considerable sums in the building of safe deposit vaults for the purpose of making that a prominent feature of their business, yet the investment of a moderate amount for such purpose in cities where companies cannot be properly organized for the sole purpose of conducting this line of business is not open to criticism. The comptroller holds that the matter is one largely in the discretion of the directors of the bank."

As the statutes of the various States seem to contemplate the running of the safe deposit business as a distinct power, expressly given to trust companies or safe deposit companies, it is submitted that running a safe deposit business is not a banking function.

Congress has recognized this distinction. This is shown by the express powers it has given trust companies in the District of Columbia to do a safe deposit business. Acting as transfer agent and registrar stand in same category.

"It has been held by the highest courts of Maryland (*Lazear vs. National Union Bank of Baltimore*, 53 Md. 78), and Minnesota (*First National Bank of Rochester vs. Piereson*, 24 Minn. 140), that a national bank has no power to purchase commercial paper, or acquire any title to such paper by purchase, made admittedly not in the way of discount, or by lending money on the credit of it. * * * The contrary has been held by the Supreme Court of Ohio (*Smith vs. Exchange National Bank of Pittsburgh*, 26 Ohio St. 141.) * * * This view seems to be much preferable to that taken in the Maryland and Minnesota cases, in which the construction placed upon the law appears to be very narrow." Pratt's Digest of National Banking Laws, pages 10 and 11.

It is strange to note that practically all of the cases interpreting the incidental powers clause have come up at the instance of national banks themselves. It seems implied powers have been assumed and nothing said so long as such assumption resulted in profit, but as soon as it brought liability there has been an effort to escape by pleading *ultra vires*. The National Bank Act provides that if the directors shall knowingly violate or knowingly permit any of the officers, agents or servants of any bank to violate any of the provisions of the act, the comptroller is to proceed in court to close the bank. No case, so far as I have been able to find, has been brought by the comptroller in the courts as provided by the act.

It is likely the comptrollers have exercised a restraining influence outside the courts, but it seems there has been some disposition to let the assumption of powers adjust itself, and the laxity in this regard was the less to be expected, since in such a large class of cases the question of excessive power could be raised only by the government.

The courts have not hesitated in specific instances drawn to their attention to hold national banks closely within their corporate powers. Not only the courts, but also publicists generally have asserted that it is wholesome public policy to restrict the operations of corporations to their charter rights. The course of the Interstate Commerce Commission along this line is publicly recognized and commended. The leading political parties vie with each other in the assertion of the policy of so checking corporations and trying to keep them "bridle-wise." But if the much advocated policy of having the Federal Government license and take control of the great industrial corporations should be enacted into a law and the lethargy of the government in restraining national banks followed as to such industrial corporations, the law might be a great engine moving towards centralization and possibly not afford the restraint anticipated by

its advocates. The decisions referred to make no new law. They embody but the application of principles well known when the National Bank Act was enacted. But the marvelous development of this country created a demand in financial lines for corporate agencies that could keep step with the complexity of progress.

The enormous multiplication of government securities during the Civil War, and the fast increase of railroad and other corporation bonds shortly thereafter, when coupled with the lawlessness following the war, made a demand for safe-deposit companies. Corporate trustees were required for corporate mortgages. There was called for a corporate agency to transfer and register securities. New issues of securities had to be underwritten and syndicates of various kinds had to be formed. So diverse, intricate, complex and voluminous were these matters that the private banking houses, the ordinary agencies in matters of this kind, were put to their wits' ends. In the many emergencies bank officers, government officials and the public winked at the exercise of many unauthorized powers by the national banks. Many practices begun with excuse were continual without excuse.

In the twenty-second annual issue of the Directory of Transfer Offices of Railroad, Mining Stock and Miscellaneous Securities in the United States and Canada, published in New York, I find national banks given as transfer agents of twenty-one companies which have an aggregate capital stock of nearly five hundred million dollars. Poor's Manual shows that national banks are registrars of stock of over seventy-five corporations, among which are some of the largest in the United States. In the vast aggregate of transfers in these active stocks during the year there certainly would be extensive liability if the work of transfer and registration were negligently done. There are also instances where national banks have been made trustees in corporation mortgages.

Over and again national banks have acted as agents and depositaries for the safe keeping and exchange of securities in matters of consolidation and reorganization of corporations and as such have had outstanding hundreds of millions of dollars worth of receipts and interim certificates.

There are instances where national banks have become subscribers to syndicate purchases and underwritings of stocks and bonds of railroad and other corporations. I have seen a list of the subscribers in such a matter where the subscription of one national bank was for an amount equal to its capital stock. There is an instance too well known to be specified where a national bank is generally reputed not to solicit or care for ordinary commercial accounts, and where its published statement shows that the aggregate of stocks and bonds owned other than government is in excess of its capital and surplus and in excess of its bills receivable.

In mentioning these matters it is material to have in mind the following provision of the National Bank Act and consider whether it was intended that a national bank should incur liabilities of the character mentioned.

Section 5202: "No association shall at any time be indebted, or in any way liable, to an amount exceeding the amount of its capital stock at such time actually paid in and remaining undiminished by losses or otherwise, except on account of demands of the nature following:

"First: Notes of circulation.

"Second: Moneys deposited with or collected by the association.

"Third: Bills of exchange or drafts drawn against money actually on deposit to the credit of the association, or due thereto.

"Fourth: Liabilities to the stockholders of the association for dividends and reserve profits."

In these halcyon days of grace when almost in letters of fire we see the irritation caused by corporations which are said to be "breaking the law," when some public officials are trying to make themselves the incarnation of law enforcement, when a public official of high degree is pilloried by another of higher degree because he lets a corporation commit an act said to be "without authority of law" and when another public officer of commanding position is pro-

scribed from a great political party because he has accepted employment from a corporation that it is said "breaks the law," is it not wise and prudent to review our course and see if our financial institutions, however honest and honorable they may be, licensed by and under immediate government control, have not drifted into practices which are termed by authority as "without color of law."

It is submitted that, under the principles and provisions as set out above, the national bank has no power to have a separate safe deposit department and run it as a business; has no power to act as transfer agent or registrar of stocks; no power to act as trustee under a corporate mortgage; no power to own stocks of any kind unless taken for debt; no power to buy or sell other than government bonds generally or on commission; and that if a loss should occur by reason of its doing either of these unauthorized things and the bank should be sued by one who had incurred loss thereby, the bank could successfully plead *ultra vires*. That national banks have not these general trustee powers was generally recognized during the agitation of the financial question in the last Congress. Congressman Vreeland, one of the authors of the Aldrich-Vreeland Compromise Currency Bill, has said:

"I do not think it would be to the advantage of the national banking system to enlarge the field of its operations along the lines above indicated (performing the functions of trust companies.) It seems to me that the more closely national banks confine their business along truly commercial lines, the stronger and more successful they will be." (See Trust Companies Magazine, June, 1908, page 301.)

The limitations of national banks being thus defined, it was evident that they could respond only partially to the broader needs of the country.

These limitations have been set out at length because the national banks are the extensive and typical banking institutions; but the limitations that are set out as to them in principle apply to State banks and saving banks. A proposition that seems to be generally conceded is that the bank, of whatever character, is limited to the exercise of banking functions.

The savings banks in many States were powerful auxiliaries, but they were pure banks of deposit, closely restricted by law and existed only in a minority of the States.

The State banks ceased to be banks of issue, coincident with the rise of the national banks, and in most States were pure banks of deposit and discount, with the right to lend on real estate.

No agency or trustee powers were given any of these institutions, and these powers in the trust company brought related and incidental powers and appealed to that large part of the public whose needs were not met by the other institutions. The broad powers of trust companies are too well known to require reciting here, and could not be discussed in detail here without unduly adding to the strength of this paper. The public does not do business with the trust company as with the public administrator, sheriff or designated public depository because the law forces them so to do, but because as free citizens they do business where their interests are best subserved.

TRUST COMPANIES IN FOREIGN COUNTRIES.

Every developing country needs different classes of financial institutions. Trust companies are in nearly all of the United States; in the District of Columbia by special act of Congress; in Porto Rico, Cuba, Hawaii and the Philippines; in Mexico and South Africa; the Argentine Republic and throughout Australia and Canada. The unity of a financial system with agencies of varied powers is well illustrated by the wide-awake, up-to-date Japanese. The Bank of Japan aims at re-discounting commercial bills; the Yokohama Specie Bank at supplying funds needed for foreign trade; the Hypothec Bank at advancing funds against security of real estate conducive to agricultural development, while the Industrial Bank of Japan is modeled after and has practically the same powers as the modern trust company in America. While there are no trust companies as such in various European countries, in each of them

there are institutions that practically correspond to our savings banks and State banks, and notably in Germany and France there are numbers of large institutions that perform agency and investment functions analogous to those of the American trust company. Variety in the units that make up the financial system is everywhere illustrated.

That the trust companies were needed is shown by their growth in number and resources. The record is:

Trust Companies in United States.		
Year.	Number.	Resources.
1870	35	\$ 122,000,000
1880	52	180,000,000
1890	140	482,000,000
1900	870	2,845,000,000
1908	2,240	4,580,000,000
		(Deposits, 1908)
		3,850,000,000

Not included in these figures are the hundreds of millions of dollars of assets of trust estates held in trust by the trust companies. No effort will be made here to state the variety and volume of the well-known intricate and valuable services rendered by trust companies. Suffice it to say that they have increased generally in the same proportion as have the deposits.

That this growth has not interfered with the progress of the banks, but has contributed thereto, by aiding in the general development of the country is shown by the increasing business of each class of banks.

(Taken from Report of Comptroller of Currency.)

National Banks.		
Year.	Number.	Deposits.
1870	1,616	\$ 501,407,586
1880	2,090	873,537,637
1890	3,540	1,564,845,174
1900	3,871	2,508,248,557
1907	6,544	4,319,035,402
State Banks.		
1873	Not given	110,800,000
1880	620	208,800,000
1890	2,101	553,100,000
1900	4,369	1,266,700,000
1907	9,967	3,068,600,000
Savings Banks.		
1870	517	549,874,358
1880	629	819,106,973
1890	921	1,524,844,506
1900	1,002	2,449,547,885
1907	1,415	3,690,078,945

STABILITY OF TRUST COMPANIES.

Now, what as to the stability of trust companies? Does their history vindicate the wisdom of the statutory provisions and legal safeguards under which they exist in the several States? Trust companies are most numerous in New York, where they have flourished for more than a third of a century and where their aggregate resources are more than one and one-quarter billion of dollars, and yet in the history of trust companies in that State the official reports show that every deposit liability and every liability to a trust estate has been met dollar for dollar. No other class

of institutions can make such a showing. The record is superb almost everywhere. There are more than one-third as many trust companies as national banks. The deposits of the trust companies are about six-sevenths those of the national banks. "Out of 1,723 total banking failures in the United States within the last fifteen years, the national banks contributed 341, State banks 524, private banks 631, saving banks 158 and trust companies only 69. This includes the suspensions of the past year and brings the figures of banking mortality up to December 31, 1907." (Trust Companies Magazine, January, 1908, page 7.)

When the panic of last fall began in New York with the discovery of machinations on the part of some owners of a chain of banks, popular anxiety soon extended to a number of trust companies. It is interesting to note that of the amount advanced by other institutions (in the main, trust companies) to help trust companies then under a run, every dollar has been repaid and every trust company in New York that suspended within the last year has either resumed or been absorbed, with a settlement in full of all its liabilities.

How quickly trust companies there, where the fire was hottest, have recovered from the panic and how solid they are in public confidence is shown by the following statement of high and low deposits of New York City and New York State trust companies during 1907 and 1908:

1907.		
	High June 4th.	Low Dec. 19th.
Greater New York	\$1,017,813,344	\$587,060,318
State of New York	141,690,784	123,903,116

1908.		
	High July 25th.	Low Feb. 8th.
Greater New York	\$900,994,200	\$647,530,100
State of New York	127,910,800	124,372,800

Throughout the United States during the last year there were twenty-seven trust companies suspended payment and nine of these have resumed, three have been absorbed and fifteen are in liquidation. Outside of the losses incident to the failure of two trust companies—one the California Safe Deposit & Trust Company of San Francisco and the other the New England Trust Company of Providence, R. I., both of which were looted by officers who are now in prison—it is estimated that the losses to depositors of failed trust companies in the last panic will not aggregate \$400,000, and this is practically covered by stockholders' liability. Such is the record of over 2,200 companies having aggregate resources of over four and one-half billions of dollars.

Such are our financial institutions. All are susceptible doubtless of improvement, but useful, stable, conservative, responsive to the business needs of our great country as they have arisen. They show by their respective growth, under the voluntary patronage of the people, that each class is a logical and necessary part of our vast and intricate financial system, in which all of the parts should work in harmony, and be conserved and not condemned by every enlightened and patriotic citizen.

Radicalism vs. Conservatism.

By COL. F. H. FRIES, President of the Wachovia Loan & Trust Co. of Winston-Salem, N. C.

Mr. Chairman and Gentlemen of the Trust Company Section, Ladies and Gentlemen:

Four years ago, when the American Bankers' Association met in the City of New York, it was my privilege and pleasure to respond to the call of the Executive Committee of the Trust Company Section and to present on that occasion a few thoughts on the subject of "Conservatism." Trust companies were being rapidly organized at that time all over the country and the liberal powers granted to them in their charters were being abused by so many that it became a matter of serious concern lest the business and name of the "Trust Company" might suffer in consequence. For that reason "Conservatism" was the keynote of that

session and has since been the prevailing sentiment of many of the leaders who have spoken and written on trust company matters.

The influence of this conservative force has undoubtedly been felt, the efforts put forth to unify and strengthen the trust companies have unquestionably borne good fruit, and the recent panic has impressed lessons that otherwise would have gone unheeded.

The panic of 1907 was peculiar in that the storm center of it was where the largest and strongest timber of the financial forest stood thickest, and trust companies located there were twisted and torn, in common with National and State banks, and several of them fell, leaving un-

doubted proof of the fact that trust companies as well as other financial institutions are not exempt from the evil effects of extravagant ideas and distended credits that usually precede these seasons of disturbance. It is, however, a matter of mutual and universal congratulation that so few casualties occurred and that already, within a year's time, the trust companies of our country are enjoying many evidences of returning prosperity, in increased deposits and growing business; this is evidence unmistakable of how surely they command the confidence of the public and how deservedly popular they have become.

The Trust Company Section has wrought many changes since 1904; through its efforts many States have adopted uniform laws protecting the name "Trust Company," and a clearer idea as to its proper and peculiar field seems to be gaining ground; the management of the affairs of this section has much cause to be encouraged, if not completely satisfied, with the progress it has made. There is still work to be done that internal evils may in time be surely and completely corrected, and continued and persistent effort should be made toward this end.

There are, however, grave dangers looming up upon our horizon that bear evidences of an approaching storm, that may be quite beyond our control and that may swamp the very best of our institutions, unless its fury is abated before it strikes; these dangers should also command our serious attention, and our best thought and endeavor should now be turned in that direction to ward off the impending disaster.

The gravity of these dangers arises from the fact that an unenlightened public is largely influenced if not controlled, by active and energetic politicians, who are either themselves deceived, or who are seeking their own advantage regardless of the consequence. Under their fostering care there has in recent years developed a political mania, imbued with the prevailing idea that any and all evils, real and imaginary, in which the public may be interested, can be corrected by legislation.

It is a well defined mental and nervous disorder that threatens in its development all corporate interests, especially those of a quasi-public nature, and in its last and most recent form it involves the interest and may be the very existence of many trust companies.

The gravest danger lies in the present tendency of this mania, which seeks to manage and control the financial institutions of the country, principally because it has found no more fertile field in which to develop than the one of putting the Government into banking business for the supposed good of the people. For the want of a better name we designate it "radicalism," meaning thereby the embodiment of these radical ideas concerning financial matters, that have been advanced by politicians and that are now presented to the people. The tendency of this "radicalism" is to nationalize all financial institutions and blot out altogether State institutions, such as State banks, savings banks and trust companies.

Allow me to call your attention to some provisions of certain prominent bills recently introduced by members of Congress, that seek to give to National banks all trust company privileges, that would have the deposits of all National banks guaranteed by the United States Government and the one that would put the United States Government directly into the banking business, through a postal savings bank.

It does not require a very careful or far-reaching analysis to reveal the end of all this, if it is permitted to become a part of the law of the land. The danger is great to all banks, but it is most imminent to the State banks and trust companies, that have much to lose and nothing to gain by these proposed measures, and yet some of the officers of these same banks and trust companies do not seem to apprehend the danger that threatens them and even make light of it in public print.

The seriousness of the situation becomes more apparent when one studies the platforms of the two strongest political parties that together control National legislation; they

are not very different, at least not so widely different that these parties cannot agree upon a measure if they choose to do so; one of these parties declares for a postal savings bank which has been recommended by the President and his Postmaster General, while the other party declares for a guaranty of bank deposits, and if that is not possible, then for a postal savings bank. The two parties can carry these measures if they will, and being thus pledged they are far toward doing so.

The postal savings bank is perhaps of more concern to the Savings Bank Section than to this, and yet a majority of the trust companies represented here to-day no doubt carry savings fund accounts and interest bearing deposits that represent a majority of their business; it is proper, therefore, to consider the bearing of this measure upon trust company interest. These savings fund accounts represent largely the savings of communities in which the institutions are located and most or all of these accumulated savings in the hands of such institutions are invested in these localities, and are instrumental in building up and advancing the interests of the towns and sections of country in which they are situated. If carefully loaned there investments are quite as safe and far more beneficial to these communities than if collected by the postmaster and sent away to be invested by the Postmaster General or other Government official, in some Government, State or municipal bonds of the more populous sections of the country. If this is not done, it is proposed to take the moneys gathered in the Postal savings bank and deposit them in the nearest United States depository or some National bank to be designated by the Postmaster General, such deposits to bear two or two and one-half per cent. interest. The practical result of this will be that each postal money order office will become an agency for gathering deposits at all hours that these offices are open, in some cases as late as nine o'clock P. M., for the benefit of the nearest United States depository or designated National bank. This would certainly be directly to the detriment of the agricultural and thinly settled sections that would lose these deposits, it would weaken the banks already there and make it harder to organize others that would be of special advantage to the immediate section. These deposits, too, would only yield to the depositor 2 per cent. or $2\frac{1}{2}$ per cent. interest, which would be a direct loss to the people because higher rates would be obtainable from other banks that are or might be organized there.

It is claimed that postal savings banks are needed to cultivate a spirit of economy and thrift among the people. What are the statistics in regard to this? The savings bank deposits in the United States aggregate the sum of \$3,480,000,000, an amount equal to one-third the savings bank deposits of the entire world, and the average deposit is 50 per cent. larger than in any other country. The deposits here average \$41.00 per capita of our population against \$11.00 per capita in Canada and \$23.00 in Great Britain. If these deposits should go into the Postal savings banks at the proposed rate of interest, the loss to the savings bank depositors alone would be \$34,800,000 per annum and the loss to other depositors still greater. There is no real demand for this Postal savings bank on the part of the people, and no real need of it.

The fear is also correctly expressed, that this would lead the Government directly into a general banking business.

The guaranteeing of bank deposits by the Government with a tax on these deposits, or on the capital of the banks, to create a fund for the reimbursement of losses to depositors is the most insidious of these radical ideas yet proposed. It is not a new idea, and where it has been tried in this country it has failed. It does not seem to harmonize with the ideas of a democratic form of government such as ours has heretofore been; more than that, it is bad for the Government to attempt to guarantee deposits of one set of financial institutions to the detriment of others, and that, too, by a tax that takes from the prosperous and conservative to make good the losses of the incompetent and speculative, or for the Government to as-

sume the losses itself in the effort to care for the people, who should care for themselves, and who would do so to their greater good if left alone. This idea, if carried out, is paternalism indeed.

This fund is called a guaranty fund, and the idea is prevalent that the Government stands for all bank losses. This is not so; it is not a guaranty fund at all; it is simply a segregation of a certain per cent. of each bank's assets into a common fund against which the losses are charged, if the fund holds out and the losses are paid; if it is insufficient, as was the case in the panic of 1837, when the plan was tried in New York State, the losses are not paid; there is no guaranty about it. Recognizing this fact, it is called by some insurance of bank deposits and the broad argument is made, that as such it protects the banks and the depositors as in the case of other insurance. It is not insurance either. When a person in any line of business is unwilling to carry all the risk incident to that business, he pays some responsible company a premium, and this company, in consideration of that premium, contracts to pay back certain losses under certain conditions. This protection is available now to all bank depositors if they choose to avail themselves of it. Insurance is a matter of contract based upon well known and yet definite rules, where the protection is purchased and paid for or jointly assumed under a voluntary and fixed agreement.

The guaranty plan proposed is quite different; there each bank is taxed according to its capital or deposits, and this fund thus gathered is subject to the losses, without reference to the risk or hazard that one institution may incur over against another. There is no contract or agreement, neither is there any possibility of adjusting losses; the strong hand of the Government takes from the tills of one class of institutions and gives to another without any just consideration. This is not insurance; it would be much more appropriately described by some other name, that would equally describe some of the practices of the Baron Knights of the Middle Ages.

The argument is advanced in defence of this guaranty plan that note holders and depositors of the bank stand upon the same footing and they should be equally protected; that if the Government guarantees the one it could with propriety guarantee the other, and that if a guaranty fund can be legitimately gathered by taxation in one case it can be in the other. There is really a wide difference between the two as will appear when it is considered that the banks are not compelled to take out circulation unless they elect to do so, and they thus willingly assume to pay the tax on this circulation, which goes to make up the guaranty fund for this purpose; on the contrary, National bank notes are made a part of our circulating medium, they become practically a legal tender for the payment of debts, and the public so receives them. There is in this instance practically no alternative on the part of the holder; he receives them as a circulating medium from any and every National bank that issues them, but it is left optional with the bank whether it will issue notes or not, and to what amount. In the case of the bank depositor it is quite different; there the depositor or holder of the certificate need not deposit if he chooses not to do so; in fact, he deposits where he pleases or changes his deposit as he likes without restraint or compulsion, while the bank under the proposed measure would be taxed for a guaranty fund whether it wills it or not, and that, too, not for the benefit of its own customers or depositors, but for those of another and perhaps far distant bank over which it has absolutely no control and of which it has perhaps no knowledge, except that its management has been faulty and its end premature.

The injustice and unfairness of this measure becomes most apparent when it is known that it absolutely ignores the rights and interests of all State institutions, and seeks to impose a burden upon the better and stronger National banks that will redound to the direct benefit of the poorer and weaker ones without any compensation whatsoever. The apparent security offered by the Government guaranty

would make the weakest and poorest "guaranteed bank" equal in the eyes of the average depositor to the largest and best managed institution in the land. The good name and accumulated surplus of a bank are assets that have cost much time and effort to get, and a law that would impair or fail to protect them would impose hardship and work irreparable loss. So valuable are these assets that no bank would afford to lose them, and no court of justice would fail to recognize their value should the constitutionality of such a law ever be tested.

The influence of such a measure would be detrimental to the banks, the bankers and the people; under such a law the bank itself would have no special inducement to accumulate a large capital and surplus or build up a name for conservative management; on the contrary, the interest of the stockholders would be best served by the prompt distribution of its earnings and a reduction of its capital to the least amount that it could successfully operate with, while profits and not safety and reputation would be its main concern. The consciousness of having deposits guaranteed would give to the speculatively inclined banker just the assurance that would lead him to take undue risks for the sake of extra profit, and to the lazy and slothful it would give confidence that would cause him to become less vigilant and careful, while to the people it would give a narcotic that would render them less watchful and more indifferent to true merit and trustworthiness.

It is claimed that a guaranty fund would protect depositors in time of a panic. No matter what the fund amounted to, it would not be effective in time of a panic, such as that through which we have just passed, unless this fund was available for immediate use, which would mean a vast amount of actual currency hoarded in the vaults of the United States Treasury and different State treasuries for that purpose at all times. It is folly to consider such a guaranty fund available for immediate payment of depositors at any and all times. The recent Comptroller's report shows that there were in 1907 as many as 19,746 National, State and private banks, with aggregate deposits of \$13,077,300,000. If 5 per cent. of this amount, which is the figure named in Mr. Fowler's bill for a guaranty fund, be set aside, it would equal a fund of \$654,980,000. This approximates 20 per cent. of the total banking capital of the country. It exceeds in amount 23½ per cent. of all the currency in circulation in the United States, and it is more than \$7.50 per capita of our entire population. The withdrawal of this sum or any material part of it from the channels of trade would work serious detriment to our commercial interests and entail great loss upon the banks of the country. To avoid this loss and inconvenience this fund would of necessity have to be invested, and if invested it would be no more available than the current negotiable assets of the banks. It would then become a fund available at some future time, and neither the knowledge of a guaranty fund nor the fact that ample security is available at some future time will prevent a panic, as those can testify who have reason to know that currency and only currency will answer while the scare is on, and in the panic of 1893 gold or gold certificates alone seemed to have the power to satisfy; an invested guarantee fund will not prevent a panic, for panics arise from other causes, and panics will continue to come so long as credits are as easily expanded and as suddenly contracted as they have been and are still in this high strung and rapidly developing country of ours.

In addition to all this, history has already proved the futility of the scheme. "The Safety Fund System" in the State of New York worked well in normal times, but notwithstanding the complete and efficient machinery under which it operated it failed completely in the trying years of 1837 to 1842; the Oklahoma laws so often referred to have practically just become operative and are by no means a success, as the proposed amendments testify.

Perhaps the most radical of the proposed measures which we will discuss is giving to National banks trust company privileges.

The character of the business primarily done by trust companies is of such a nature that State courts must have immediate and complete jurisdiction over them, and all laws and judicial decisions bearing upon trust interests are most jealous of these rights and of this jurisdiction, and it is proper that this should be so. A due regard and care for these trust interests make it necessary that trust companies should be State institutions that are directly amenable to the laws of the States in which they are chartered and operate, and under which the various trusts exist.

These State laws are made to deal with executors, administrators, trustees, assignees and agents, that are the servants of the court, and with estates and trusts that must of necessity vary greatly in character in different States, which represent rural, manufacturing and mining or other interests, and different states of civic development and thought; while the vast number and complicated character of the laws and decisions affecting the inheritance of property are more or less peculiar to each commonwealth.

This Trust Company Section has tried to harmonize a few of the most essential and simplest of the various laws affecting trust companies and knows something of the difficulties that are in the way of any serious changes in this direction. Trust companies should certainly remain peculiarly State institutions.

National banks doing a strictly commercial banking business are solely under Federal authority and control and naturally farther removed from these peculiar local conditions and this State control, and one would think that they would be the last to want to take up this line of business and the least circumstanced to do so.

The delegation of trust company privileges to National banks would scarcely be considered seriously in the face of these facts and the many differing and exclusive State laws affecting trust affairs, if it were not that it appears as a part of Mr. Fowler's bill, the scope and character of which has commended it as the most scientific and complete that has yet been presented to Congress, and Mr. Fowler's position and influence is such as to give it great weight.

National banks have their peculiar business and trust companies theirs; there should be no conflict between them, and the contemplation of this proposed measure fills us with apprehension and alarm, especially when it is supported in this way. To give to National banks trust company privileges can mean but one thing, if it is to be taken seriously, and that is to strike a fatal blow at State institutions and compel them to become National institutions, and thus force them under Federal control.

Trust companies chartered by the State might hold their own for a season, but how long could they do so if National banks should seek to do trust company business, with their deposits guaranteed by the National Government and they themselves perhaps fed by hundreds of post offices without other cost to them than the payment of 2½ per cent. interest on deposits, which other institutions and they themselves might in some sections be willing to work to secure at 3 per cent. or even 4 per cent.? If these conditions should prevail, there would soon be no place for other financial institutions than National banks, and no occasion for any sections in the American Bankers' Association.

These dark clouds upon the horizon are driven before a wind of popular prejudice aroused against corporations and financial institutions, that is embodied in the often repeated and generic terms "Trusts" and "Wall Street," and to them is traced nearly all the ills that the body politic is heir to. The panic just passed gives prominence to these questions, and the imperfections of our National financial system are under the circumstances unduly exaggerated. Bank failures are being paraded and literature advocating a Government guaranty is being diligently circulated in every section where banks have failed or confidence has been at all shaken.

It does not follow, however, that we need give way to these apprehensions nor fail to put forth our best effort to meet existing conditions.

There has not been a time since the days of specie payments, or perhaps since the time of President Andrew Jackson, when as many thoughtful and able men are studying the financial problems of our country as to-day. The newspapers are presenting these subjects with more or less ability and public speakers are discussing them upon the hustings, banking associations everywhere are making them the subject of their deliberations, while the financial journals—and their name is legion, more in number than ever before in the world's history—are full of articles setting forth plans designed to solve every difficulty, and that, too, from every standpoint and every side of each question. In addition to these a "National Monetary Commission" of nine Senators and nine Representatives has been appointed by Congress to consider and recommend needed changes in our monetary system and laws relating to banking and currency. Let us hope that the labors of all these statesmen will result in a thorough understanding of the question and an early presentation to Congress by the Commission of a wise, comprehensive and just bill, that will meet all serious defects, and that it will be passed without undue delay.

The real defects are not so numerous as they are glaring, and the remedies may be much simpler than would at first appear.

The best scheme so far proposed to solve the financial problem is the establishment of a "central bank," of large capital and surplus, so controlled and regulated as to protect the Government's best interests and so organized that it may become the guiding and controlling factor among the banks of the country, with which it must of necessity be in perfect harmony and accord if it is to be most useful and efficient.

This central bank would be the depository of the Government funds, as well as the reserves of National banks, and the medium through which National financial deals would be consummated; it would regulate the rate of exchange and control the export and import of gold, and should exert a salutary and much needed influence upon the banking interests of the country.

It would issue currency to the National banks on coin or bullion, or its equivalent, taking what the banks have to give, namely, their current assets, and not what they neither have nor can get when most needed, namely, Government bonds. This currency would be issued by the "central bank" as it was needed and in the discretion of its management, in normal times, at crop moving times, and in times of panic, the form of the issue being the same at all times, the amount alone varying with the necessities of the case and the amount of good assets that the bank could command, and limited to a fixed aggregate amount. Doubtless these assets would have to be passed upon by a board of bank officials similar to the officers of the "National Currency Association" provided for in the Aldrich-Vreeland bill, who would also supervise the bank examinations of the members of the association, so that they and the management of the central bank could be intelligently advised as to the condition of all the associated banks and their assets at any and all times.

The State banks and trust companies could co-operate in the formation and government of these associations, and the examinations could be made by expert accountants or examiners for both National and State institutions, the effect of which would be to bring all banks and trust companies to the same general method of accounting and standard efficiency; while the supervision might be under the same board, the reports would necessarily go to the Comptroller of the Currency or to the State bank commissioners, as the case might be, the National and State Governments giving to the association the necessary powers of supervision, if not control. Bank examinations as they are made to-day are much better than formerly and are constantly improving, as every bank officer knows, and yet they are lacking in the most important matter, namely, an intelligent examination of the assets, which deficiency such an association would be instrumental in correcting.

If there be virtue in the insurance of bank deposits there is much more in the insurance of bank assets: The one would only protect the depositor and the other would protect not only the depositor but all creditors of the bank and the stockholders as well. Banks now protect themselves against serious loss from burglary and defalcations by burglary and fidelity insurance in the same manner. This would not only provide protection to the creditors and stockholders of the bank, but in addition would place each bank's assets under the intelligent and watchful eye of an interested party, whose direct concern would be to scrutinize the loans, thus materially and practically aiding the management of the bank and checking the examiners with whom they would necessarily co-operate.

It would enable each bank, both National and State, to protect its credit at its own expense, and if the standard of loans materially differed in different sections or under different trade conditions, the insurance would still be carried, only at a different rate to suit the hazard assumed; it would automatically work each bank or trust company towards a fixed standard, and while they would be equally protected, each would carry its own burden, commensurate with the character of the business it was forced to do. This credit insurance would no doubt become as popular and as general as the other lines of bank insurance, perhaps even more so, because the publication and knowledge that one institution was thus protected would in itself make it necessary for others to do likewise. It would meet the idea of a guaranty fund and would be perfectly fair and equitable to all parties concerned. It would be fair to National banks and much fairer to State institutions, that would suffer greatly under the proposed guaranty plan, unless the respective States offered similar advantages to their own institutions. To me the insurance idea is much more satisfactory than to contemplate the National and State Governments going into the proposed guaranty business, or to see them assume to manage a guaranty fund gathered by compulsory taxation.

The cost of such insurance could not be very much, as the following figures taken from the Comptroller's last report will show: they cover a period of 43 years from 1865 to October, 1907, and include all the panics and depressions in business that intervened and all the National banks that have failed during that time.

The total losses for the period are as follows:

Average loss to depositors per annum.....	50c. per \$1,000
Average loss to creditors per annum.....	73c. per \$1,000
Average loss to capital surplus per annum.....	\$1.44 per \$1,000
Average loss to loans per annum.....	73c. per \$1,000
Average loss of resources per annum.....	40c. per \$1,000

The monetary and financial system of the United States was designed under very different conditions from those that obtain to-day, and the remedial legislation that has been had from time to time to correct defects and render it more suited to changed requirements have left it cumbersome and inadequate to say the least of it. The time has been, and is now, when the country needs a thorough renovation of its whole system, not only to correct the patent defects in the

old, but to fit a new measure to the present and future needs of the rapidly and widely extending commercial interests of the country. In reaching the final conclusion, due regard should be paid to the smaller State institutions and their interests duly protected, for these institutions, quietly doing the business of the rural and remote districts are no less important to the country and its welfare than the promotion of the interests of the large banks that will care for the expanding trade in this and foreign lands.

When under such a perfected system there is a central head and guiding influence, with ability to control and power to execute, when the banking interests are intelligently directed, instead of each community of banks through clearing houses or as individuals acting for themselves as best they can; when actual currency requirements are promptly met in obedience to demands of commerce; when the causes of impending panics can be promptly and adequately dealt with, then they will disappear and our financial interests will attain their desired and deserved position among the most favored nations of the earth. When national banks and State institutions maintain ample and equal reserves; when the character of all bank assets are as carefully looked into by examiners as in the efficiency and honesty of the officers and clerical force; when banks insure their own assets according to their respective hazard, then prompt discipline will be more frequent, failures less possible and depositors, creditors and stockholders will be most securely protected. In all this the people are much concerned; they of necessity are directly allied with the banks, for the interests of the banks and the interests of the people are the same, and what is to the material welfare of one is to the material welfare of the other. It is therefore important that all these questions be fully and thoroughly understood by the people themselves.

WHAT CAN BE DONE?

The Trust Company Section could do nothing better or more to the interest of its members than appoint a strong committee to confer with the Monetary Commission and seek through proper and efficient channels to guard the interest of the trust companies of the country from the influence of this "radicalism" that does not fail to assert itself, and through a well directed "conservatism" counteract the evils that must inevitably follow if the necessary effort is not made and these interests are not vigilantly guarded.

The Trust Company is peculiarly an American production, its development represents the growth and enterprise of the business interests of the country, and its future rests with the conservative element of the people. It would be a national calamity if they should be crippled or their usefulness impaired by this "radicalism" that threatens them, and such a calamity would leave its mark upon our country for many years to come. Believing in the ultimate good sense and justice of all the people, let us do our utmost to properly present these matters to them, relying upon their good judgment to see that "conservatism," which stands for justice and right, shall prevail against "radicalism" with all its disturbing and baneful tendencies.

New York City Trust Companies under Present Legislation.

By L. L. GILLESPIE, Vice-President of the Equitable Trust Co. of New York.

In no history of human experience are cause and effect more clearly in evidence than when we have to deal with financial disturbances and their outcomes, although the results are dependent upon so many circumstances unforeseeable and difficult of analysis, that it is only after the events have rolled by and new conditions have been evolved and the hypotheses and conclusions have become realized facts, that the direct connection between each step and the final outcome becomes apparent. Thus it was that when we parted after our successful convention at Atlantic City

last Autumn, perhaps very few, if any, had any positive convictions as to what the coming year would bring to us of experience and trial, embracing the most violent and far-reaching financial disturbance that this or any other country has probably ever seen.

We must all now admit that there were at that time innumerable signs indicating that the conditions under which we were living and thriving were not all that they should be. One of our leading bankers, in a well-directed speech before the Chamber of Commerce of New York, had referred

to the currency laws of the United States as "disgraceful" and characterized the lack of elasticity in the currency as "barbarous." Necessity not having as yet pointed the way, we were very slowly coming to the point where some remedial change was a thing of the near future and much time was being devoted to reconciling conflicting views on the most expedient method of revision of our financial laws, when an acute emergency intervened and brought about immediate action.

The extravagance of this country and of the times in which we live are well recognized and are prevailing in Europe as well, and with extravagance goes as a necessary concomitant material advances in the price of raw material and labor. At the same time the world was engaged in new developments and extensions of industries as never before. Capital was extended to its limit and was doing more work than it could in safety be depended upon for and any unexpected withdrawals from it would be conducive to forced reductions that would be far-reaching in their results. There had also been in the last ten years vast destructions of property which had to be replaced. The cost of the Boer war had been fabulous to England, and this was followed closely by losses to both sides in the Russo-Japanese war and the internal struggle which ensued in Russia with its accompanying unsettling of credits, hindrance to trade and depreciation of the value of its National debt. Then there was the great destruction of property in the earthquake and fire at San Francisco, and the natural timidity aroused by similar manifestations in Chile and elsewhere. There was also considerable danger felt by many at the rapid commercial development in Germany where speculation had been going to great lengths for many years, and where heavy taxation and an overbearing military régime combined to create what might lead to a serious situation. Labor in the meantime had throughout the world become more insistent in its demands. It was as though the laborer felt that advancing prices and increasing production could never stop. Usually the employer of labor was too much occupied with the rush of orders in which prompt deliveries were of far greater importance than the prices demanded and cheerfully paid to resist demands for higher wages, and usually was faced with the difficulty that if he did not submit his laborers would leave him and seek employment elsewhere, and he would in the end have to meet similar demands from new labor in nine cases out of ten of inferior grade. It is, I believe, generally recognized that conditions which impose excessive wages are usually accompanied by a minimum of return on the part of labor. This would, of course, materially increase the cost of production and this is exactly what we find to have been the case, for it was reflected in nearly every known commercial activity from the railroad earnings in the United States to the far away diamond mines of Africa.

As in our private life so in our National finances the year 1907 seems to have been one of exceeding cost and expenditure. The Government statement at the end of the fiscal year, June 30, 1908, shows a deficit of \$59,656,361, and the increased deficit for July and August amounting to \$28,728,000 brings the total deficit for the preceding fourteen months up to \$88,434,361, with reduced revenues of \$65,000,000. The year preceding we had a surplus of \$87,000,000. The Government disbursement was \$659,552,124, being in excess of the revenues in any year except 1906-1907 and \$54,500,000 more than in the year when we conducted our war against Spain, landing armies in Cuba, Porto Rico and the Philippines.

With the first premonitions of financial disturbance came steady liquidation of American securities on the New York Stock Exchange. Europe was also experiencing its difficulties and was a large holder of our securities, which they were influenced to dispose of through the agitation in the press and by the administration's hardly understood attitude towards corporations. Federal control and individual wealth. England was struggling to uphold its National credit while its consols sold at 84 5-16, the lowest point

reached since the Crimean war in 1848. An idea of the tremendous loss entailed to investors throughout the country with the attending shrinkage in credit and borrowing capacity can be gathered from the fact that the shrinkage of fifty active stocks from Jan. 2, 1907, to Aug. 26, 1907, was \$1,235,084,738, and of this the railways represented \$891,319,720, and the industrials \$343,765,018.

How serious the disturbance in money was going to be was strongly brought home when on Aug. 12, 1907, New York City offered \$15,000,000 of its bonds at 4% and received bids for only \$2,713,485, and Mayor McClellan, after making strenuous efforts to find a further market, said: "I find that in the present condition of the market that there are no takers of city four per cents. at par except contractors forced to take bonds in settlement of their claims." Finally at 4½% an emergency syndicate of bankers guaranteed the sale of at least \$20,000,000 of an offering of \$40,000,000 and made the sale a success. This action did much to give confidence to the financial situation as evidence of a disposition on the part of financiers to come to the front to support the city credit and relieve the strain. But such action could not stem the tide which was setting in.

Between Aug. 22 and Dec. 3 the National banks in central reserve and reserve cities lost \$87,000,000 of cash, and during the same period the country banks increased their cash holdings over \$46,000,000. During about the same time the currency of the country was increased by new National bank notes, Clearing House certificates through the country by \$74,000,000, and by additional Government deposits and gold imports aggregating in all upwards of \$273,000,000; it can be seen how fully the response of financial institutions in the great centres was to the possible needs of their brethren in the smaller communities, even to an extent unwarranted by the general conditions prevailing throughout the country.

The trust companies of New York city were to a large extent depositaries of the funds active and inactive of banks, bankers and financial institutions throughout the United States and I should like every member of this association to appreciate just how promptly and fully these trust companies fulfilled their obligations to their depositors under conditions which have never been equaled. On Jan. 1, 1907, the deposits of New York State trust companies amounted to \$1,084,376,517 and their total resources to \$1,365,245,430, and on Jan. 1, 1908, following the panic, they had reduced their deposits to \$732,278,400 and their resources to \$1,012,747,930. Taking the case of the trust companies of New York City we find that from the high record of 1907, of \$1,017,813,344, on June 4, their deposits dropped to \$587,069,318 on Dec. 19, 1907. In other words these trust companies paid out to their depositors during this period the enormous sum of \$430,753,000, or 42% of their total deposits.

Abnormal conditions thus created in the money market, it must not be lost sight of, were not peculiar to this country alone, for the last week in October London advanced its bank rate from 4½ to 5½%, and on Monday, Nov. 4, advanced it again to 6%, and the following Thursday to 7%, the highest record since 1873, at which figure it was maintained until Jan. 2, 1908. The Imperial Bank of Berlin also advanced its rate by successive moves until it reached 7½%, its previous maximum having been 7% on Dec. 15, 1906.

In spite of these phenomenal rates of interest at home, there was exported from Europe to the United States on Nov. 30 nearly \$100,000,000. A little late to do much good except to help in the restoration of confidence the United States Government increased its deposits in the National banks of the country, as follows:

	At New York.	Other cities.	Whole c'try.
Aug. 3	\$27,798,600	\$128,058,598	\$155,857,198
These balances were gradually increased until.			
Nov. 10	\$72,362,300	\$154,388,598	\$226,750,898

In order to demonstrate further the shock which was given to business by the financial, commercial and monetary

panic of 1907, we have only to look at the record of the clearings for 1907, showing a reduction of \$15,000,000,000 over the preceding year.

It must not be supposed, however, that such an extraordinary movement and strain passed without classification of the strong from the weak and without disclosing some conditions which prosperous times had protected from view. After the financial storm had passed the danger points were left bare to observation, just as jagged rocks appear on the beach after an ocean storm has washed back the sand which had covered them. The deposits of trust companies had thus receded and in some cases had left bare methods and practises, perhaps not wholly reconcilable with good principles of banking or trust company business. These conditions did not rest alone with such trust companies as developed weakness, but were present also in some of the National and State banks.

These practises may be stated briefly, as:

First—The controlling of a so-called "chain" of financial institutions by a single interest or group of interests by means of reciprocal loans secured in each of the institutions involved. This could be carried on almost ad infinitum, there being required merely a nominal margin to make the loan appear sound.

Secondly—The promotion or financing of speculative enterprises by financial institutions where the object was quick returns of hoped for profits and remunerative commissions for services rendered.

Thirdly—The promotion of new syndicates requiring large outlays of cash with possible further obligations for new and competitive enterprises having their earning capacity yet to be demonstrated and their success calculated on successes of previously similar enterprises leaving the failures of other similar enterprises out of the calculation. These syndicate operations differed essentially from those of the preceding era which, while new as a rule, were consolidations and extensions, with known earnings and ascertainable savings through reduced costs of united operation. At the present time, of the institutions which suffered from these or any other causes, all have resumed without loss to any depositors, except in the case of two National banks. Only one trust company closed its doors to its depositors, and this company has since resumed business, strengthened by additional capital from its stockholders, and anticipating payments to such of its depositors as consented to deferred part payment, and paying in full on demand to such as did not consent.

Following on the heels of the panic in November, 1907, Governor Hughes appointed a committee for the purpose of recommending legislation and suggesting changes in the State banking laws. The committee consisted of six heads of representative institutions, National banks, State banks, trust companies and savings banks, and lost no time in the formation of a report, the main features of which have since been incorporated in the New York State banking laws by the State Legislature.

In order to fully understand the present legislation with reference to trust companies in New York, it will be necessary briefly to trace the history of their corporate existence. They arose first by special charter and many companies now exist claiming special privileges than granted them, and not now generally given to trust companies by the Banking law of the State, and their reports were variously forwarded, in some cases, to the Comptroller of the State and in others to the Supreme Court. By the law of 1874 they were first placed under the supervision of the Superintendent of the Banking Department and required to make semi-annual reports in writing in such form, and containing such information as to the affairs, business conditions and resources of the corporation as he might require. From that time until and including the present the authority of the State Banking Superintendent has been great and increasing. In 1887 a law for the general incorporation of trust companies was passed, and in 1893 their powers were very fully enumerated and their restrictions increased. In April, 1906, the first statute with direct

reference to a reserve was enacted calling for a reserve of at least 15% of the aggregate deposits. The whole might and at least one-third must be kept in cash, one-third might consist of Government bonds, State or officially authorized bonds and the balance might be on deposit, subject to call in a banking institution approved by the Superintendent of Banks.

The salient points in the law governing trust companies in New York City, as amended by the new legislation, are that its capital must be at least \$500,000 paid in in cash and dividends to the full extent of the earnings cannot be paid until at least 20% of the capital has been accumulated in surplus. Its capital must be invested in bonds and mortgages on unincumbered real property within the State not exceeding 60% of the value thereof, or in the stocks and bonds of the State or of the United States or of any county or incorporated city of the State, especially authorized, and of this capital 10%, but not less than \$10,000, must be registered in the name of the Superintendent of Banks and held by him in trust as security for the depositors and creditors of the institution. It must carry a reserve of 15% entirely in cash against demand deposits, and in the case of trust funds and time certificates of deposit commencing 30 days before the date of maturity of the obligation. Each certificate of deposit must show the date of issue and the date of maturity. It may not hold stock in any private corporation to an amount in excess of 10% of its own capital and surplus nor in any moneyed corporation the par value of which is in excess of 10% of the total amount of the stock of such other moneyed corporation issued and outstanding. This restricted investment of capital is quite an important item and is often lost sight of in the consideration of the safeguards of a trust company as compared with a bank, which may use its capital in its regular business. There is also, as with banks, a stockholders' liability for any default in payment of a debt or obligation to an amount not exceeding the par value of the stock. An enumeration of authorizations to do business would be tedious and unnecessary as they are general and pretty well understood, but some of the restrictions embodied in the recent enactments are not so well understood. For instance, no loan exceeding one-tenth of the capital stock of the trust company can be made to any director or officer of the company, and no loan without the consent of a majority of the directors, as further explained. Also no loan shall exceed 10% of the capital and surplus unless secured by collateral worth at least 15% more than the amount of the loan, in which case it may be 25% of the capital and surplus, but the total liability of any such individual, corporation or firm, secured or unsecured, may not exceed 25% of the capital and surplus. Furthermore, the trust company may not loan upon the "securities of one or more corporations, the payment of which is undertaken in whole or in part severally, but not jointly, by two or more parties" unless the borrowers "shall have paid on account of the purchase of such securities an amount—equal to at least 25%—of the amounts for which they remain obligated in completing the purchases for such securities," or if the trust company is liable directly or indirectly for the repayment of any part of the loan, or if the loan including any right of renewal exceed the period of one year. No loan shall be made, secured by the capital stock of another moneyed corporation, if by the making of such loan the total stock of such other moneyed corporation held by it as collateral shall exceed in the aggregate 10% of the capital stock of such other moneyed corporation. Many restrictions are also placed around the conduct of the officers of trust companies intended to further safeguard the institutions. Where the matter concerns the depositing funds of the company in other institutions or making discounts or loans for his or any other director's personal benefit all such loans must have the approval of the majority of the directors, and a knowing violation of such rule makes officers or directors liable under the Penal Code. In addition, all loans of over \$1,000 must be reported to the directors or a committee

of them at the next following meeting and statements under oath of the officers of the institutions filed showing that the loans have been thus submitted.

In addition, at least once in every three months, the superintendent designates a day on which a very full report is made to him concerning the affairs of the company and examinations are made by the Banking Department at least twice a year, investigating the conditions and resources of the company, its mode of conducting and managing its affairs, the action of its directors, the investment of its funds, the safety and prudence of its management and the security afforded to those by whom its engagements are held, and such other matters as the Superintendent may prescribe.

It is obvious that the laws with regard to trust companies in New York, where they do not deal with the amount of strength in capital, surplus and reserves which they must maintain in order to be trusted to invite the deposits of the community, are directed to prevent abuses and to frustrate efforts on the part of those having control to use their resources for purposes not tending to strengthen the security of depositors, and further to restrain investment in ways clearly unwise. These laws, good and salutary and well thought out as they are, and in every way fit models for other communities intending to develop their trust company and banking legislation to follow are, after all, of prime importance, chiefly to the weaker brethren. Good banking cannot be created by law, bad banking may in many ways be thus prevented. When we study the laws of New York on this subject we are apt to have our attention drawn away from the real state of affairs as they exist in the conservative and well governed institutions of the city, which are the almost universal rule. These institutions have weathered every storm and for many decades have protected and wisely managed the many estates and trusts in their hands and have been the safe repository of huge volumes of funds; on Jan. 1, 1906, ex-

ceeding the deposits of all the Clearing House banks of New York by upward of \$88,000,000. The proof of the pudding is in the eating thereof.

We have now traced the trust companies of New York city through the conditions leading up to the panic and seen how magnificently they acted in responding to the calls of their depositors during those times of anxiety and disturbance which marked the end of the year 1907. We have seen that they paid out \$430,000,000, reducing their deposits to \$587,000,000. Their average deposits for the week ending Sept. 26, 1908, were \$936,011,700, a recovery of \$349,000,000. We thus find them after the battle is over more strongly entrenched than ever before in the public confidence, and with duties and responsibilities toward their clients and the financial world which in their past and their present they have shown no inclination to shirk.

And now in closing it is fit to say a few words with reference to the immediate future. We are being blessed with abundant crops and a satisfactory recovery in business. The stocks and bonds of our leading railways and industrial corporation have largely regained their losses in value during the panic year, money throughout the world has once more assumed normal conditions, the cost of labor, while still high, has been much reduced and a more sane and temperate attitude is apparent among our leaders and the community generally. Indications are not wanting of the gradual return to normal conditions in every field, in fact, each day adds new evidence of a healthy solid recovery in every direction.

The lesson that has been taught by last year's experience will last as long as the present generation of bankers remains in the field of activity. The vindication of sound banking has never been so complete and sweeping, and has only been accentuated by the distressing handicap of a most anomalous currency system, which we must hope will in the near future be placed upon a more solid and scientific basis.

Securities Held in Trust, Methods for Their Control and Safeguarding.

BY JOSEPH N. BABCOCK, Trust Officer, The Trust Company of America, New York.

The accounting of trust companies in their various trust capacities is a subject which should, and doubtless does, receive the careful attention of all trust company officers. Yet an examination of systems in use in various companies shows such divergence in method as to lead one to believe that a discussion of certain principles which should be controlling in all systems would be of value and interest.

The art of accounting in our National and State banks has received the attention of many able bank officers and expert accountants over a long period of years, and a large amount of literature on the subject, embodying the results of such attention, is now available. Moreover, a long series of banking defalcations has brought out new systems, from time to time, to guard against particular methods of embezzlement and to perfect a system of checks and counterchecks designed to safeguard the bank in every possible way, while at the same time preserving as much simplicity in form and method as possible.

In a word, the art of bank accounting is, as one may say, to a certain degree, standardized, and any bank may easily obtain the data to put in a proper and effective system of accounting, adapted to its particular needs, and containing all of the most approved checks and counterchecks which the experience of the past and the combined abilities of hundreds of able and experienced accountants have been able to devise.

This, however, is not so as regards the accounting of our trust companies in their various trust capacities.

The accounts of a trust company as executor, trustee, guardian or in any other of the numerous trust functions in which it may act, is ordinarily, as a matter of practice,

kept entirely separate from its banking business. This is also required by law in some States, and while the legal form of such accounts, that is to say, the form in which they must be filed with the Court, for instance, has received some attention, the general methods of keeping such accounts on the books or of safeguarding the securities involved has not been the subject of much examination by experts nor is there, to my knowledge, much literature available on the subject.

The consequence is that every trust company is practically thrown on its own resources and that systems in use are many and various, some serving the desired purpose fairly well, others inviting to loss by looseness of method and lack of ordinary safeguards.

In this connection and as illustrative of the importance of the subject, I recall the statement made by the Hon. Pierre Jay, Banking Commissioner for the State of Massachusetts, in an address delivered before this Section two years ago, that defalcations in the banking institutions of the United States at that time reached the alarming average of one a day. Mr. Jay also said "a proper system of accounting will prevent more embezzlements than a proper system of auditing will disclose, and it will save many a naturally honest man from yielding under a great stress to the temptation of stealing, which a loose system of accounting at least fails to discourage."

Mr. Jay's remarks were perhaps more particularly directed to the banking side of the business, yet it cannot be gainsaid that the trust accounts present special opportunities to the dishonest, by reason of the known facts that the securities held may, in some instances, not be required for-

years, and that therefore the chances of discovery of loss and detection of the guilty party are reduced to a minimum.

I conceive it to be one of the main objects of this association that, through the interchange of ideas between the members, systems of accounting may be simplified and standardized, proper safeguards may be introduced, and in general that methods of doing business may be improved to the mutual advantage of members of the association and their clients and "*C'estuis que trustent.*"

It is, of course, impossible within proper time limits to examine at this time into the whole question of "Trust Accounting." I have therefore considered only one single phase of the subject, i. e., the actual securities or valuables themselves, which form the subject matter of nearly all trusts, from the standpoint of their proper entry, control and safeguarding.

The term "Securities in Trust" is intended to cover, and should cover, all securities and valuables which come into the possession or safekeeping of the trust company in connection with its manifold functions, except its own investments, collaterals under loans, bonds for certification only, and, of course, any valuables placed in its safe deposit vaults, in the case of companies maintaining such a separate department.

It is essential in the first place that this classification should be rigidly adhered to, so that all securities held for trusts, or for clients, should be held in one department, properly equipped for the care and accounting of same. This department, usually called the Trust Department, is constantly receiving and delivering securities and valuable property, in accordance with some trust function such as executor, or trustee under either individual or corporate trusts, or as special depository or agent for its clients or banking correspondents, or under escrow agreements of various kinds, including those covering securities deposited under plans of reorganization, or for the foreclosure of corporate mortgages, of which the trust company may be trustee. The amount of such securities and valuables held in the trust companies throughout the country is incalculable, there being, of course, no statistics available, yet some idea of the enormous total may be obtained from the fact that the books of the company which I have the honor to represent, alone show a total on hand of some five hundred millions of dollars—of course in face value.

These securities and valuables are of every conceivable kind, from personal property, jewelry, valuable documents, to notes, bonds, stocks, mortgages, etc., and are received under all sorts of accounts entirely separate and unrelated.

The first requirement naturally is a complete record of the valuables in each account. This we may call the Trust Securities Ledger. This, of course, is kept by all companies, in some form or other, in many cases the accounts being divided into classes, viz.: trust accounts, escrows, special deposits, etc., and a separate book being kept for each. These separate books, however, may advantageously be considered as parts of one general set, exactly as depositors' ledgers are divided for convenience alphabetically. Some companies content themselves with this record, even making the entries of receipts and withdrawals directly on the same, with no provisions for counterchecks or safeguards. This, of course, is very loose practice. All securities should be entered on the Trust Securities Ledger at their face value. In the majority of the accounts under consideration, the trust company is not concerned, at least from an accounting standpoint, with the market or actual value of the trust assets. It is true that in certain classes of accounts the trust company is chargeable with the appraised or purchased value of assets and must account to the Courts or interested parties on that basis, but in such cases separate and fuller records must of necessity be carried, and this can readily be done without in the least interfering with the trust record of the securities themselves, in which it will be found to be simpler and more satisfactory to carry everything at face values.

Anything in hand which has no face value should be

given a nominal value of say one dollar, in order to get it into the books properly. Stocks should be entered at their value in dollars and not as so many shares.

Now, in order to secure the necessary counterchecks on the trust securities ledger, controlling accounts should be opened in the general books of the company, or at least should be under the control of some bookkeeper other than the Trust Department bookkeeper. Such accounts should be: on the debit side, the totals of all securities held, under such classes as it is most convenient to divide them, such as mortgages, bonds, stocks, miscellaneous; and on the credit side, the totals of all trusts, also divided into any convenient classifications, such as trusts, escrows, special deposits, etc.

A system of original entry of all transactions should be employed, which should be so inter-related to the method of depositing in or withdrawing securities from the vaults, that no entry could be made in the books unless the securities were actually deposited or withdrawn, and no securities could be deposited or withdrawn without the corresponding entries in the books. All vaults should have double combinations; one combination in charge of the trust department, the other, or controlling combination, in charge of an officer or designated person outside of the department. The controlling account on the general books should be checked from the actual transactions in the securities themselves, by the person holding the controlling combination. The Trust Securities Ledgers should be proved and balanced with the controlling accounts at stated intervals by the taking off and totalling of all balances. It facilitates greatly the taking of trial balances to have the securities ledgers loose leafed and to have a specially ruled and colored sheet for each class of securities, i. e., one ruling and color for bonds, one for stocks, one for mortgages and one for miscellaneous items. The controlling accounts, however, should be in a bound book. Audits and examinations of the securities in the vaults and comparisons of same with the books should be made as frequently as possible. Such examinations take considerable time in cases where large amounts of securities are held, and if done by outside accountants are expensive. They can be readily done by other departments, however, as they require little more than the counting of securities. No examination of trust securities is regularly made by the Banking Department in the State of New York, and I presume that this is also the case in other States.

It will, perhaps, have been observed, that the key to the complete control of securities by this system is in the interrelation of the method of original entry of transactions with the system of depositing securities in or withdrawing them from the vaults. I venture the suggestion that what is known as the ticket system will be found to meet the requirements of the case most satisfactorily, although there are doubtless other methods, and in order to make perfectly clear what I mean by interrelation of original entry and vault system, I will ask your permission to illustrate by a concrete example.

Let us say that there is delivered to the trust company, or it has purchased, a block of bonds. As these are received at the counter a numbered ticket with a perforated stub or counterfoil is made out by the counter man, giving the details of the transaction, title and number of the account, etc. This is initialed by him, and by the checker, and then handed to the officer in charge, together with the prepared receipt or check in payment. The ticket is O. K'd by the officer, the stub detached and held as a memorandum for the vault and the receipt or check signed and delivered. The ticket is turned over to the bookkeeper for entry and listing in numerical order and is then left with the bonds until they are ready for the vault. The stub in the hands of the officer is a check on the deposit of the security in the vaults, and when the deposit is to be made, it is handed over to the officer holding the controlling combination, compared by him with the ticket, the securities recounted by him and placed in the vault, the ticket and stub both initialed by him and the stub passed independently by him

to the auditor or general bookkeeper in charge of the controlling account, who either makes his entries direct from it or compares it with the debits and credits to his accounts received from the trust bookkeeper. The ticket is then filed away in its numerical order. When securities are withdrawn a delivery ticket approved by the proper officer serves as a vault requisition, and upon the withdrawal of the security from the vault the stub is immediately detached and handed to the general bookkeeper as before. Both the receiving and delivery tickets are listed in numerical order in a journal, consequently the journal balances must be the totals of all securities on hand and in the vaults, and must

agree both with the balances on the Trust Securities Ledger and on the controlling accounts.

In this manner a complete system for the control and safeguarding of securities is established, with practical checks and counterchecks, which would require the collusion of two or more officers and employes to get around.

I am happy to say, in conclusion, that I believe that instances of such collusion have been very rare in the annals of our financial institutions.

Let us, for the trust companies, by careful vigilance and the use of every safeguard, strive to maintain for the future this honorable record.

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Detailed Report of Proceedings,

Thirteenth Annual Meeting TRUST COMPANY SECTION, Held at Denver, September 29, 1908

MORNING SESSION.

Tuesday, September 29th, 1908.

President Babcock: Gentlemen, we will call this thirteenth annual meeting of the Trust Company Section to order. The Rev. Dr. Bayley will invoke the Divine blessing.

Rev. Frank R. Bayley, D.D., pastor Plymouth Congregational Church, Denver, Col.: I once knew a quaint old minister who, going to an ecclesiastical gathering and being asked to lead in prayer, said: "I came expecting to make some remarks, but perhaps I can give them in the form of a prayer." I have no such purpose you may be sure, gentlemen, and I ask that we may all enter with sincerity and reality into this moment of devotion. Let us pray.

PRAYER.

Almighty God. We thank Thee for the beauty of this morning. It is good for us to commit ourselves to Thee for the needs of the day. We remember the dear ones whom we have left behind—the wives and the children, and especially any who are in sickness or sorrow or distress. Be Thou kind and gracious to us all and to them, we beseech Thee. We thank Thee for the glory of the world in which we live, for our place and our part in this marvelous time. Help us to remember that all things come of Thee and without Thee nothing in this world is strong and nothing holy. We thank Thee for the marvelous material development of the world in which we live and for the power that is lodged in man's hand and in man's mind to grasp great things and to wield mighty powers. We thank Thee for the measure of recognition which prevails among us as a people; of the supremacy of things that are moral, of the things everlasting. We thank Thee for the hosts of men who put righteousness above gold, who have not bowed the knee to mammon and who care more for the service of their fellow man than for self-aggrandizement.

We pray for Thy blessing upon these men gathered here, for Thy direction and gracious aid in all their business. We pray Thee help them so to live that the Holy Spirit, under whose banner they are gathered, may be redeemed from base use and may come to stand for human service rather than for covetousness and rapacity and may take its place again among the things that are peaceful and holy in men's thought. Help us, we pray Thee, to live for the good that we may do for high and holy ends, in the light of the eternal purposes to which we must give account and which if we do not serve them will bruise and crush us.

Great God! Hear our prayer as now, we trust with united hearts, we acknowledge Thy supremacy in our praise; and may we remember that in this world we have nothing which we have not received from Thee, and that we are in all things God's stewards. All these things we humbly ask, praying that the simplicity of our minds and the sincerity of our hearts may commend us to Thee and may bring us gracious answers of peace. Amen.

President Babcock: I have the honor to present His Excellency, Henry A. Buchtel, Governor of Colorado. (Applause.)

Address of Welcome by Governor Henry A. Buchtel.

It is always a pleasure to speak a word of welcome in the name of the State of Colorado and in the name of the city of Denver, for the reason that any national convention finds here an atmosphere of hospitality. People who come from everywhere, as you do, find if not their relatives at least friends from their old home towns. You know, Denver and Colorado is made up of the best blood and the best brains from everywhere, attracted here for a variety of reasons. One is that of health. More people have come here for that reason in the earlier history of the State than for any other. That gave us a beginning of the finest families on earth. So money came in from every part of the world and was invested here in the early days. To-day we are attracting people by other considerations than those of health, because we have a greater variety of resources than any State in the Union and because there are more ways to make money here than can be found in any other State. It is well understood, I suppose, by all of you that the real aristocrats of the American Bankers' Association is that group of men who belong to the Trust Company Section. I hope I shall not have any one here opposing this view which I am now taking about what constitutes the real aristocracy of this association (laughter). In reading your proceedings of last year I was interested in noticing that there was an effort made to have people distinguish between a trust company and a trust. There is a very clear distinction made by Mr. Dooley, who makes almost all our accurate distinctions for us in these days, you know. He describes a trust as an institution that is making an effort to sell out to the trustful (laughter). But nobody ever heard of a trust company that wanted to sell out, because the laws in all the States appear to have been made particularly for their benefit. I believe you are investigated less than any other concern on account of your very high character. So you have more ways of making money than anybody else on account of the fact that it is recognized that you ought to have more ways of making money than anybody else. While you are here and

discussing all sorts of questions, of course, you will be making an effort to devise methods of conducting your business with greater accuracy and despatch, and one bit of advice that I want to give you is to learn how to use this "Interior aetis Detector" that I am wearing. (This was a reference that the Governor made to a hearing apparatus that he wore over his head.)

This is not a hearing machine. I assure you I can hear all I want to hear without making use of any machine; most anybody can—especially if they occupy a political position. (Laughter.)

Let me tell you that when you learn to use this machine you can hear a man's heart beat and you can detect whether he is telling you the truth or is lying to you. I wore it at the Governors' Conference in Washington for the purpose of detecting what particular political job the Governor with whom I was conversing was seeking. Of course, almost all of them were seeking something—the United States Senate, for one thing, but not all; some were not. (Laughter.) Well, in conversation with such men, for instance, as Governor Johnson and Governor Folk I explained that I did not wear this instrument in their case because it was perfectly manifest without any deceit.

Now, we want you to have a very happy time here. Tomorrow I shall have an opportunity to speak to the whole association—those that are not aristocrats as well as those that are; and when one talks to the four million, of course, it is as interesting as to have the opportunity to talk to the four hundred. While you are here you will find many ways with which to enrich your conversation when you get back home. You will come upon delicious humor here every fifteen minutes—that is, if you keep your eyes open and, of course, all bankers are supposed to do that. You will come upon such humor, for instance, as my friend Dr. Lennon came upon when he invited my friend Barry O'Connell to dinner. Barry used to be a miner, and he was one of the Democratic leaders in our last legislature. I say one, because sometimes parties have more than one leader. Barry was always a great friend of mine. You see, we had three mutual bonds that brought us close together. First, Barry is an Irishman and I am a German. (Laughter.) Secondly, Barry is a Democrat and I am a Republican. Thirdly, Barry is a Catholic and I am a Methodist. (Laughter.) Barry used to come into my office more frequently than anybody else and we became very intimate. At the Good Fellowship Dinner that I gave, inviting members of the house and the senate and the Justices of the Supreme Court and people connected with the State institutions and, of course, the bankers, because we all borrow money from the bankers, you know, and must keep on good terms with them, Barry made a speech. The Chief Justice of the Supreme Court, who happened to be the only Democrat on the bench of seven members, was present, and the Methodist Bishop, Warren, said Grace, and a Roman Catholic priest pronounced the benediction at the end of the dinner. So you see I had everything there was going. That is the way that we have out here. Well, as I say, Barry made the speech of the night. He said: "The Governor has committed two very serious offenses here at this dinner to-night. First of all, he has violated the Constitution. The constitution says there shall be three departments of government, the legislative, the judicial and the executive, and that these three departments shall be kept separate. Yet the Governor has gone to work and mixed them all up together here. And, worse than that, he has violated the Scriptures"—Dr. Bayley can appreciate what that means, and the local bankers, on account of the fact that I am a minister. Most of you doubtless do not know that, but we take ministers to make governors of out here in Colorado. (Applause.) But we don't make all our United States Senators out of ministers, however. (Laughter.) Well, Barry continued, and went on to certify that St. Paul said in such and such a verse and such and such a chapter in one of his letters to Timothy, that Timothy was to use no longer water, but to take a little wine for his stomach's sake, and Barry said "The Governor has violated the Scriptures in having a dry banquet." Of course, it must be a dry banquet if I gave it; but, gentlemen, we had more different kinds of water to drink than anybody in Kentucky ever heard of. Well, that night Dr. Lennon invited Barry to come over sometime and take dinner with him. Barry said: "All right, what is the matter with my coming to-morrow?" The next day was Friday, and Dr. Lennon said: "Very well, come to-morrow." Now, Barry was a Catholic and the Doctor had forgotten about it, and he had a very hearty meat dinner. Just at the end of the dinner he remembered, and said: "Barry, I beg your pardon, I never thought about it being Friday and that

you were a Catholic." Barry replied: "Don't say a word, I am not going to throw it up now." (Laughter.)

So, if you keep your eyes and your ears open here, as I said before, you will find your list of stories greatly enriched and you will want to come back to Denver, not ten years hence, but next year again. (Applause.) If you desire to pass a resolution at this session that every meeting of your association while time shall last shall be held in Denver, why, gentlemen, understand we will O. K. it and approve the program. (Applause.)

President Babcock: I have next the pleasure of introducing Col. William E. Hughes, President of the Continental Trust Company of Denver, who will welcome us on behalf of the financial institutions in this city and State:

Address of Welcome by Col. Wm. E. Hughes.

Mr. Chairman and Gentlemen of the Trust Section of the American Bankers' Association:

In the name of this city and on behalf of the trust companies I extend you a most hearty and cordial welcome. The man who receives into his house a guest would I imagine be rightfully charged with a lack of taste were he to call attention to the luxurious and tasteful appointments of his home, his well selected library, his costly rugs and rich paintings. The same rule may apply to one who gives a welcome to a city. The word "welcome," like a few other words in our language, is so comprehensive in itself that one cannot well amplify or add to it; so beyond the assurance that no one can be gladder to see you than we are and leaving you to discover if you can the matchless beauties of your surroundings; I shall in this address with your permission pass to such other thoughts as occur to me.

Gentlemen, I think we are to be congratulated that this assembly is in no sense partisan. I take it it is perhaps about equally made up of the two great political parties, and while we are not politicians and not here to talk politics we happen to meet at a time when there is great interest being felt on all public questions, and it is almost impossible to totally abstain from expressing political opinions regarding them, as politics and finance are closely allied.

It is a truth I think apparent to all that there is a great moral awakening in the land, and neither of the great political parties can, in my opinion, hope to retain or acquire power that does not promptly recognize this fact and some other self-evident truths. It is a truth I think that that prime iniquity, the tariff, must be radically reformed; that individual and State rights must be more fully recognized; and the honesty and independence of the courts be at all times maintained, and that trusts, corporations and combinations, especially those dealing with the necessities of life, must hereafter do their work in the open and under the supervision of government, state or national. Political bribery and secret political campaign contributions and all blackmailing must go. Our forests and other national resources must hereafter be better preserved; the standard of all trusteeships must be raised and a better system of banking and currency must be given to the country.

How much we can accomplish and just what we are to do here I do not of course know. We are to counsel together, I assume, tell the truth and do all the good we can to others and to ourselves. In ancient days a philosopher who lived and died long before the Nazarene gave His great moral lesson to the world, immortalized Himself by giving to His friends and followers in eight simple words a code to live and die by. These simple words were, "Tell the truth and do good to others." This code, though not so intended, founded a true religion; and upon it there has been to my mind no improvement since.

The American Bankers' Association, it seems to me, is especially qualified to speak as to trusteeships and as to banking and currency. As citizens, too, we are of course interested in all questions affecting the public good and the public finance, they being inseparably associated, so it may not be amiss in passing to give our views upon some of these public questions at least.

First—As to that paramount question, the tariff. We have the promise of both Republicans and Democrats that there shall be reform here. We know, however, from experience how little faith is to be put in party promises on the eve of election. Had the Republicans reformed the tariff last Congress when they had the power they would have better entitled themselves to the support of the country; and if the Democratic leaders had talked abolition and radical reform of the tariff, and little else, they would have put more life into their party and greatly increased its chance of winning. You can't talk nonsense and abstractions to the people in election times and impress them.

We are Democrats ourselves, at least some of us are, but not the kind that ever believed in free silver, government ownership of railroads, government guarantee of bank deposits, initiative-referendum, 18 to 1, the double standard, government loans to farmers and green-back inflation.

The Democratic party was once something to be proud of. It might be yet if it could get rid of some of its leaders. Democracy has been a name to conjure with. Its meaning, "Government by the people," has from the beginning captivated all climes and countries. No party in this country has lived as long or stood as much as the Democratic party. Its vitality has been wonderful. The many nostrums it has had to take in the last few years have been hard to swallow, and some of those doses have been altogether too much for old-fashioned Democratic stomachs like mine. Still, we have stuck to the party, and we and the party still survive, and expect to survive and to go many times yet to victory and defeat under the old banner. We would go to victory this time if we had one of our old-fashioned leaders. I don't mean that we must necessarily have a Jefferson, a Tilden or a Cleveland. A Woodrow Wilson, a Johnson, or any one of a hundred good old-fashioned Democrats would do. One that was not a dreamer, an experimenter and an issue hunter, and who had not been a perpetual candidate, one believing in and advocating a few old-fashioned time-honored principles, chief among them that the common individual man was to be and remain henceforth the supreme object of regard in this government and not the trusts and corporations. Not that we would ask government aid for this individual man, but that there be no government hindrance.

The trouble with the man full of bugs and who is badly educated politically is, you can't tell just what he may do under emergencies. Some one defines education to be that quality that best enables the

individual to do the right thing in emergencies. Can you trust all of the present political leaders in emergencies? As one of our New York papers (Harper's Weekly) the other day said, "Suppose within the next four years the United States Treasury was to again run short of gold as it did in Mr. Cleveland's time, what is to prevent the President from directing the United States Treasurer to pay in silver all the millions of coin obligations outstanding? Then what would become of your single standard and the business of the country? Mr. Bryan as President would have the power to so direct without let or hindrance from Congress or the Courts, and would he not be justified? He has never recanted the double standard, it has simply ceased to be an issue. But it would become an issue quickly enough in the event of such a happening as that to which we have alluded as possible if not indeed probable during the next four years; and what better could be expected of Mr. Bryan? Would he give the lie to every word he has ever uttered and never recanted respecting the true relations of the two metals? Would he fly in the faces of the millions of free silverites whose apostle he has been and who have stood behind him all these years? Would he have the moral right to break faith with them? And who would have a just claim upon him to do otherwise than put the country upon a silver basis, when with full knowledge of the fact that this has always been the cardinal principle of his creed, the people had elected him President of the United States, and so according to the new interpretation had conferred a mandate upon him to carry out the people's will without regard to the disposition of the other branches of the government.

However, Gentlemen of the American Bankers' Association, we have the promise of both of the great parties that most of the reforms we ask for shall in the end be brought about, and we have this to congratulate ourselves with, the country is safe, and its finances are safe (barring emergencies) whichever party wins. I think, too, the election will go all right for the personality of the leaders is going to count in this election more than ever before. The party leader that can be trusted under extraordinary circumstances to do the right thing is the one a large proportion of the people are going to support this time. The issues are not widely different on the vital questions. So you can, if you like, "pay your money and take your choice," as the saying is. If you pay money as a campaign contribution to either party see to it that the payment is duly published—it looks better so; besides, a reformed popular taste demands it.

Antagonistic political parties are a good thing. I mean great parties, like Republican and Democratic, Radical and Conservative. Not those mushroom things that come and die with every moon. Great parties usually divide upon the great questions that underlie government—not on what shall ye eat, or what shall ye drink, or where-withal shall ye be clothed, or whether ye shall be allowed to drink at all. It is better, too, for a country to have these two great parties pretty equally divided, and to not have them divided by longitudinal or latitudinal lines. I am an old Confederate soldier and a Democrat, and yet I say to you frankly that I want to see a divided South, divided upon all the great political questions. It will be better for the South—better for the entire country. Shortly after the formation of the government the Conservative party was called "Republican Democratic." If that was its name now we would in my opinion have a divided South at this election. We may have it as it is.

But, gentlemen, I have proceeded along this line farther than I intended, and asking pardon for the digression, returning to the question of popular demands, allow me to say that the masses, as I understand it, are not wanting or demanding government guardianship or government guarantees. What they demand is to be let alone and they will work out their own salvation, socially, financially and politically.

Now, as to banks, banking, trusts and trusteeships, I wish to say that I am opposed and I am in hopes this American Bankers' Association is opposed to having government (or anybody taxed by government) to guarantee bank deposits, and if they are so opposed that they will by proper resolutions speak out and say so. This guaranteeing, as I view it, is all wrong in principle. There is no more sense in guaranteeing your banks than there is in guaranteeing your insurance companies, your butcher or your baker. Governments are not organized to be guardians of the people and to make their selections and elections in the various walks of life, and it should not do it. All you want of government, all you ought to have from it, all it ought to be and is organized for, is a kind of police duty, as it were, to stand guard, to do the fighting, to keep people off you and off your property—that is all you pay it for or ought to pay it for. All exercises of judgment, all selections of agents and agencies must be left to the people if we expect them to grow or be any account. Freedom and not supervision and guardianship makes a self-reliant, energetic, hardy race. Freedom is what is valuable under government. Don't check or restrain any exercise of admitted freedom, unless the exercise commits some aggression upon the person or property of another. Besides, as Mr. Taft the other day said, to guarantee bank deposits is a bid for and premium to reckless banking.

As to our more especial department, trusts and trusteeships, I want to say that I can conceive of no higher religion than to be faithful to a trust, or to put it substantially in the words of Mr. Van Dyke in the August "Scribner": "There is no curse so terrible as that which lights a fire for him who gives away his honor and betrays those who follow and put their trust in him." No association of men who do not subscribe to this sentiment and in their hearts feel the full force of it should ever be in a trust company or in any trust position. A trust has always been regarded as the most sacred of obligations and its violation as a breach of trust and a criminal offense from the days of the Common Law, so don't ask government to guarantee the faithful performance of trusts, but have government put the trustee in jail when he commits a breach.

Gentlemen, with an apology for my somewhat rambling address and promising you the best time we can give you during your stay here, with the hope that your visit will be so pleasant you will want to come again, thanking you, I shall no longer trespass upon your time and patience.

Reply to Addresses of Welcome and Annual Address by the President, Mr. Philip S. Babcock.

Gov. Buchtel, Col. Hughes:

On behalf of the Trust Company Section of the American Bankers' Association, it is my great pleasure to acknowledge

and to thank you for the most cordial and beautiful welcome you have extended to us in convention here assembled. We have gathered from the East and the West—from the North and the South in this beautiful capital city of this Centennial State to deliberate on matters which concern us in the daily routine of our business life; to listen to the words of advice of those who, by experience and ability, are competent to instruct us so as to the better conserve the interests of the people whose agents we are; for in the largest sense the trust companies of the country are closer to the people than any other form of financial institution. Our depositors look to us to safeguard their material wealth in life and to distribute it unimpaired after their death; to protect the widows and children. Met, as I have said, that we may by full and free discussion best learn to conserve the great interests entrusted to us. It is fitting and a great pleasure to us to be welcomed by the chief executive of this great State and by a foremost representative of the State's financial institutions. We will enjoy the hospitality you have so graciously extended to us and will carry back to our homes its pleasant memories with minds and hearts broadened by our stay, all too short, in your beautiful city and State and by the friendly intercourse with your people. On behalf of the association, I thank you again.

Gentlemen, when you honored me at Atlantic City last year by electing me your president I am sure the fact was overlooked that the president is expected to make an annual address. Our officers and Executive Committee have remedied that oversight by preparing a program which touches on all topics which might come under the president's address, and have invited to carry out that program men so far more competent than I to handle their topics that my own remarks will be very brief.

Since our last annual convention in September, 1907, our financial institutions throughout the country, and I might say, financial institutions throughout the world, have had, if I may use the simile, very stormy weather. Some few, very few, if we think of the great armada which set sail, were not able to weather the storm—the waves were too high and engulfed them—some few limped into port battered but not beaten, and, temporarily laid up for repairs, were again, under the careful and painstaking work of skillful hands, fitted out as safe and worthy vessels; but the vast majority safely weathered the storm, scudding, mayhap under reduced sail, perhaps at times under bare poles, but safely making harbor and with the rising sun of renewed prosperity and confidence, what a mighty fleet it is we see and how worthy the trust and confidence of all people.

Gentlemen, it is not for me to explain the causes of that stormy time—our crude currency system, our over-expansion of credits, our manipulators of banks and trust companies for their own ends, our reckless law-makers, enacting legislation, State and national, without rhyme or reason; all of these, with many other, were contributory causes; but while striving to remedy the evils as they have been shown and to guard strenuously against others coming in, I think we of the banking fraternity should not fail to recognize and to be proud of the great, glorious strength of our financial institutions as a whole. We represent, gentlemen, a very high and noble profession. The trust companies, as I have said, are peculiarly close to the great masses of our people. To us are entrusted the funds of widows and orphans—to us men look to safeguard their funds for the rainy day which may come at any time; to us great enterprises of incalculable good to our people and to the development of our beloved country are brought to be financed; men make us their executors, the most sacred duty that can devolve upon us. May we prove faithful to the trust reposed in us, profit by our mutual intercourse and friendly discussion here to-day and return to our homes and associates with a full realization of our duties and our opportunities.

President Babcock: Next in order is the report of the secretary, which I will ask Col. Branch to now read:

Report of Secretary.

New York, Sept. 1, 1908.

To the Members of the Trust Company Section of the American Bankers' Association.

Gentlemen: The financial statement for the past year is as follows:

RECEIPTS.

Sept. 1st, 1907, by Credit Balance.....	\$1,607.09
Sept. 27th, 1907, by Appropriation by Executive Council....	3,000.00
May 5th, 1908, by Appropriation of Executive Council.....	1,500.00
Aug. 31st, 1908, by Sale of two Trust Company forms.....	\$24.00
Sale of three Trust Company Proceedings.....	3.00
	33.00

\$6,140.09

DISBURSEMENTS.

Salaries	\$2,487.64
Clerical force, Chairman Executive Committee.....	250.00
Printing and Stationery	136.13
Postage	172.00
Petty Cash	30.00
Sundry Expenses	95.26
Furniture and Fixtures	172.38
Rent	550.00
Proceedings	981.05
Expenses of Convention	333.75
	5,208.21

August 31st, 1908, by Credit Balance..... **\$931.88**

Notwithstanding the stringency of the times through which the country has been passing since the last convention held at Atlantic City, your secretary is pleased to report that the section has progressed rapidly and steadily.

During the fiscal year ending September 1st, 1908, 931 trust company members paid their dues to the American Bankers' Association, amounting to nearly \$25,000. This is the largest membership in the history of the section and shows a net increase over last year of 85 members. Forty-six were dropped from the rolls owing to failures, non-payment of dues, consolidations, liquidation and other causes, but to take their place and place the membership list where it is 131 Trust Company Section members were added to the rolls during the same period. The aggregate resources of members of the section is about three and a half billion dollars.

American Trust Company Section. American Bankers' Association by States.

August 31, 1905 1906 1907 1908					August 31, 1905 1906 1907 1908				
Alabama	11	13	13	20	Nevada	3	4	10	10
Arizona	8	9	9	10	New Hampshire ..	2	3	4	3
Arkansas	11	16	18	20	New Jersey	49	49	56	59
California	21	25	29	29	New Mexico	1	2	2	2
Colorado	5	6	9	11	New York	70	78	80	91
Connecticut	12	16	21	24	N. Carolina.....	12	15	16	16
Delaware	4	5	5	6	North Dakota.....	1	1	1	1
D. of Columbia ..	5	5	5	5	Ohio	35	34	41	45
Florida	4	5	5	7	Oklahoma				1
Georgia	8	8	9	12	Oregon	5	7	12	11
Idaho	5	5	8	9	Pennsylvania	117	132	145	151
Illinois	29	32	41	50	Rhode Island.....	10	10	11	11
Indiana	18	19	21	24	S. Carolina.....	5	4	3	4
Ind. Territory.....	2	2	5	4	South Dakota.....	2	3	5	4
Iowa	7	8	10	14	Tennessee	15	17	27	26
Kansas	1	1	1	2	Texas	8	9	18	21
Kentucky	12	16	18	18	Utah	2	2	3	3
Louisiana	9	11	15	17	Vermont	10	10	13	13
Maine	10	12	16	20	Virginia	10	12	12	12
Maryland	13	15	14	16	Washington	4	7	12	14
Massachusetts	13	29	29	32	W. Virginia	11	11	10	9
Michigan	4	4	6	6	Wisconsin	5	5	5	5
Minnesota	4	4	4	3	Wyoming	1	1	2	2
Mississippi	5	9	12	15	Alaska				1
Missouri	15	17	20	24	Cuba				2
Montana	4	5	7	8	Hawaii	1	2	2	1
Nebraska	3	3	3	4					
					Total	632	718	846	931

States having a membership of ten are entitled to a vice-president of the section.

During the last year the section has had its separate office where much necessary routine work has been done. It is to the interest of the section and its welfare that a separate office should be continued. Much can be accomplished by a permanent secretary who is thoroughly familiar with the details of trust company business. The work of the section can be broadened and its organization be made more concrete and effective by the appointment of more committees and by the selection of members who have the time and inclination to transact the necessary business twelve months in the year.

At the close of this convention I will enter another business field. During the eight years I have been your secretary I have seen the section grow from a membership of 207 to its present large proportions. Over two-thirds of the trust companies of this country are now on your rolls and it is hard to estimate the limit of their power for good if it is systematically and properly applied.

It is with a feeling of regret that I bid you farewell in this my eighth and last annual report. I take the opportunity to thank you one and all, officers and members, for the kindly consideration you have always shown me, and the hearty support and assistance you have rendered during the entire term I have occupied the position of secretary.

With best wishes for the success of the section and to you, one and all, God speed, I subscribe myself for the last time.

Respectfully yours,

JAMES R. BRANCH, Secretary.

President Babcock: What is the pleasure of the meeting with respect to the secretary's report?

On motion, the report was received and approved and ordered placed on file.

President Babcock: Next in order is the report of the Executive Committee, of which Mr. H. P. McIntosh is chairman.

Report of the Executive Committee, by H. P. McIntosh, Chairman.

To the Members of the Trust Company Section of the American Bankers' Association.

On behalf of your Executive Committee I assure you that this committee is pleased to meet so many representatives of the members of the Trust Company Section of the American Bankers' Association at this, the thirteenth annual meeting of this section, and I have the honor to make the following report:

The Trust Company Section was organized in 1896 at St. Louis, and its places of meeting since then are Detroit, 1897; Denver, 1898; Cleveland, 1899; Richmond, 1900; Milwaukee, 1901; New Orleans, 1902; San Francisco, 1903; New York, 1904; Washington, 1905; St. Louis, 1906; Atlantic City, 1907, and Denver, 1908.

As a preliminary to your committee's report some statistics showing the growth and present strength of trust companies will be interesting. Twenty years ago there were less than one hundred trust companies in the United States, while the forthcoming report of the Comptroller of the Currency will contain a summary of reports from 920 trust companies, with aggregate deposits of \$2,157,478,378, and aggregate resources of \$3,257,422,561. This is an increase over 1907 in number of companies of 120, or 16 per cent., and in aggregate resources of \$181,040,000, or 6 per cent.

These reports do not, however, pretend to include all trust companies in the country, the comptroller having no authority to compel the rendering of such reports, and hence the increase above noted has

no necessary significance, and may be accounted for wholly by greater success in getting companies to report to the comptroller.

The most accurate statistics regarding trust companies are found in the book of trust company statistics published each year by the United States Mortgage and Trust Company of New York City, the 1908 edition of which is not yet available. The 1907 edition contained reports from 1,480 trust companies, with aggregate resources of \$4,285,782,075.

It should be noted, however, that even the United States Mortgage & Trust Company statistics are incomplete, not containing the reports of all trust companies.

In reporting the deposits of trust companies as above only the deposits of the banking departments are included, no account being taken of trust funds for investment or actually invested.

Your committee, ably and diligently assisted by the State vice presidents, has strenuously endeavored to increase the usefulness of the section in practical benefit to its members, and also to increase its membership, and while the result of their efforts in the latter are not as gratifying as they wish, probably on account of the stringent times, these are quite satisfactory, being as follows:

Statistics of membership for 1907-1908:

Membership, September 1, 1907.....	846
Dropped from rolls during the year for non-payment of dues.....	46
	800
Added to rolls during the year.....	131
Present membership.....	931
A net increase during the year of.....	85

Your committee, on account of the valuable assistance it has received from the State vice presidents, is confident that the efficiency of the section will be increased by increasing the number of these. The by-laws of our section provide that each State having ten or more members in this section shall be entitled to a vice president. Your committee recommends that this by-law be amended by striking out the word "ten" and inserting in its place the word "five," and that the following addition be made to the by-laws, viz.: That any State having less than five trust companies, all of whom are members of this section, shall be entitled to a vice president.

Your committee urgently requests each member to increase the membership of this section by bringing to the notice of non-members the benefits they may derive from said membership.

Six years ago a collection of forms used by trust companies was made, but your committee realizing that great improvement has doubtless been made in these since then, and also recognizing the diversity of bookkeeping systems in use by trust companies, requested all members of this section to send to the secretary copies of such forms as they are now using, and appointing a committee consisting of Jos. N. Babcock, trust officer of the Trust Company of America, New York City; Mr. Geo. H. Stuart, third assistant treasurer of the Girard Trust Company, Philadelphia, and Mr. Chas. L. Mosher, third vice president of The Guardian Savings & Trust Company of Cleveland, to arrange and codify these. This committee met in New York this month and has reported as follows:

"New York, September 10, 1908.

"Mr. H. P. McIntosh, Chairman Executive Committee, Trust Company Section, American Bankers' Association.

"Dear Sir:

"The undersigned Committee on Trust Company Forms have the honor to report as follows:

"Pursuant to your instructions your committee has examined and classified the forms received from various companies by the secretary in response to your letter of last June to the trust companies members of the section.

"Your committee regrets that a more general response was not made to your request for forms, only nineteen companies out of the total membership of the section having been heard from.

"Your committee is of the opinion that the forms submitted would prove of great interest to all members of the section. Your committee has, therefore, arranged these forms in a binder, classified according to the various departments or functions of the trust company and will place them on exhibition in the secretary's office during the next convention of the association at Denver, September 29, 1908.

Your committee also regrets that the time at its disposal since its appointment has not been sufficient to enable it to cover the subject as completely as it should be done. It is nevertheless the opinion of the committee that the forms submitted to them show a marked improvement over the forms in use some six years ago when the last book of forms was published by the Trust Company Section, and your committee feel that the time is now ripe for a new book of forms which should be classified, arranged and indexed in such a manner as to form a complete guide to the most approved methods of accounting for all classes of business covered by the various functions of the modern trust company.

"Your committee believes that such a book would be a matter of profit rather than expense to the association, as there would probably be a good demand at a reasonable price for a complete work such as the committee has in mind.

"Your committee therefore recommends that a book of trust company forms, as outlined in this report, should be published by the Trust Company Section during the present year, under the direction of a committee appointed for the purpose, and that the secretary, under the direction of the committee, should be authorized to make the necessary arrangements for the printing, copyrighting and sale of such a book for the benefit of the section.

"Respectfully submitted,

"(Signed)

"JOS. N. BABCOCK, Chairman,

"GEORGE H. STUART,

"CHAS. L. MOSHER,

"Committee."

Your committee approving of the recommendation of the Committee on Forms has re-appointed the above-named gentlemen as a committee to fully carry out its recommendation during the present trust company year.

The report of the Executive Committee of this section for 1904 states:

"The members of this section have previously been advised of an arrangement made by your committee with the Audit Company of

New York by which that company offers to advise with members of the section as to any detail of forms and systems of accounting without charge."

Your committee, realizing that such service might still be of great assistance to some trust companies, especially the younger and less experienced, inquired of the Audit Company of New York if this arrangement is still in force and has received its reply that it is, by consultation at its office or by correspondence regarding any accounting technicalities which may help the trust companies, without charge.

Your committee wishes to call your attention to the most valuable trust company literature contained in the volume entitled "Proceedings, Trust Company Section American Bankers' Association, 1896-1903," and the reports of proceedings published yearly since 1903. These volumes should be a part of the equipment of every trust company as they are full of information of the greatest value to trust company officers and other employees. Many of the leading financiers, attorneys, railroad men, accountants, etc., have contributed to these volumes. We are quite sure that all trust companies would be benefited by prescribing that everyone of their employees should take a course of reading these volumes.

In view of the fact that some of the year books are becoming scarce, your committee recommends to the Executive Committee for next year the publication of a volume which shall contain the year books for the years of 1904, 1905, 1906, 1907 and 1908.

Gentlemen, in conclusion your committee feels that the Trust Company Section should enter upon a larger career of usefulness than in the past, if that be possible, and make its organization so helpful and necessary to trust companies that every member of this section will feel that it cannot afford to withdraw and every non-member will feel that it must join our section. There is much for our section to do and in no way can so much be done as by establishing a bureau or secretary's office—

First.—To gather and keep up to date as nearly as possible statistics regarding trust companies, including,

(a) Their number.

(b) Their itemized statements, showing deposits, etc.

(c) The number that actually undertake trust business.

(d) Figures as to the number of failures, showing losses involved, etc.

The need of such statistics is evident, for there is now no authoritative and complete source of information on these and other points regarding trust companies. To collect and have published matters of interest to trust companies.

Second.—To maintain an index to current financial literature similar to Poole's Index to Periodical Literature, though on a very much smaller scale. Such an index kept in the secretary's office would enable the secretary to furnish members and committees upon request with information as to the periodicals or books, their dates and pages, where may be found articles on subjects about which they may inquire. Just at present, for example, it would be useful to many trust company officials to know where they could get a list of printed articles on guaranty of deposits, postal savings banks, branch banking, central bank, currency and other live topics.

In connection with this it would be useful to have at the secretary's office bound files of the more prominent financial periodicals, accessible to members who cannot otherwise consult such files. This work would be of value to all members of the section.

Third.—To collect legal decisions and preserve a record of legislation affecting trust companies introduced into or passed by the legislatures of the several States; thus much could be done toward unifying trust company legislation.

Fourth.—To keep up and make as useful as possible to members the files of trust company forms, records, blanks, information about publicity, business methods, effective advertising, etc.

Fifth.—To assist, in such ways as may suggest themselves from time to time, in the work of educating the public as to the functions of a trust company, its superiority as trustee over the individual trustee, and otherwise endeavor to promote the growth of the trust company as an institution. This is a service not to the trust companies alone, but to the public at large.

A bureau or secretary's office conducted on the above lines will make the Trust Company Section an aggressive, conservative and powerful factor for good to its members and the general public, and be serviceable not only to individual members of the section, but also to the various committees appointed from time to time, which often feel the need of reliable statistics to aid them in their work. If desired the most important information gathered each year could be published either in separate form or in the report of the annual meeting, as the report of the secretary, or embodied in the report of the Executive Committee.

All this would, of course, involve increased expense, though the amount need not be large; but it would seem to be money well used and would certainly not be burdensome to an organization with such resources behind it as the Trust Company Section has.

Your committee will be pleased to receive suggestions for topics for discussion or subjects for addresses at our next annual meeting, and desires to call your attention to the program of this meeting and invites full and free discussion of the papers and topics, and thanks the various members for the uniformly courteous manner in which they have received our communications and for the valuable assistance many of them have rendered us.

The Trust Company officials of the country as a class have always understood the high character of the responsibilities which rested upon them, and the splendid records made show how they have risen to give the best that was in them to the sacred duties undertaken.

Upon us now rests the responsibility of maintaining, and, if possible, bettering the good record already made. Realizing that the trust company has become a necessary part of the machinery of our advancing civilization, essential alike to the carrying on of great corporate enterprises and to the business of the individual; useful to the man of large means and to the man of small means, and capable of increasing adjustment to the needs of our great nation, let us live up to the opportunity and duty of making the trust company rise each year to a stronger and better position.

Respectfully submitted,

H. P. MCINTOSH, Chairman.

President Babcock: Gentlemen, you have heard the report

of the committee, with its several recommendations. What shall be done with it?

On motion, the report was accepted and placed on file.

AMENDMENT TO CONSTITUTION.

Mr. J. J. Sullivan, of Cleveland, Ohio: Believing that the sentiment of the meeting is in accord with the recommendations of the committee respecting the amendment of the Constitution and by-laws, I offer this resolution:

Resolved, That the by-laws providing for vice presidents be amended as follows: Strike out the word "ten" and insert in its place the word "five," and add to said by-laws the following: "That any State having less than five trust companies, all of which are members of this section, shall be entitled to a vice president."

I move the adoption of this resolution.

Mr. L. L. Gillespie, of New York City: I second the adoption of the resolution.

President Babcock: All in favor of the adoption of the resolution will manifest it by saying Aye, and those opposed, No.

Adopted.

NOMINATING COMMITTEE.

Mr. John H. Holliday, of Indianapolis, Indiana: With a view to furthering the business of the meeting, Mr. President, I offer the following resolution:

Resolved, That a Nominating Committee of five be appointed by the chairman, which committee shall receive names in writing from delegates present, from which the Nominating Committee shall select five members of the Executive Committee for the term ending in 1911, and which shall be reported back to the convention for its action.

A Member: I second the resolution.

President Babcock: All in favor of the resolution will manifest it by saying Aye; those opposed, No.

Adopted.

President Babcock: The Standing Committee on Protective Laws is next in order, and I will ask Mr. Lynn H. Dinkins, the chairman, to read it:

Report of Committee on Protective Laws.

To the Chairman and Members of the Trust Company Section.

Your Committee on Protective Laws begs leave to report that since the last meeting it has continued to address itself to the task of exciting interest among bankers in the several States toward securing legislation looking to the protection of the use of the word "trust," suitable provisions for State supervision and denouncing as a crime the circulation of false reports concerning the condition of banks and trust companies.

In many of the States no session of the legislature has been held since our last report and in others legislation as to one or more of the points suggested has failed. So far as the committee can learn, the failure of such laws to pass, in each case, was due to their tardy presentation to the respective legislatures and not to any adverse sentiment.

Practically every banker to whom your committee has written regarding these matters has expressed himself as strongly in favor of all of the measures, and in many cases the State associations have passed resolutions looking to the introduction of such measures to their respective legislatures. Your committee urges all members of the section to see that bills relating to the respective subjects be introduced early in the session of their legislature, in order that there may be no failure to secure the passage of the laws upon this score.

We now believe that in each State the sentiment of the bankers and people may safely be counted in favor of these measures and all we now require is sufficient interest upon the part of our members in order to secure the practically universal enactment of such laws.

Perhaps the most significant and important changes, both in protective and constructive laws relating to trust companies and trust funds during the period under review, are the new and amended enactments in Massachusetts and New York. In the opinion of the committee the present statutes of these States afford, in many particulars, models which other Commonwealths would do well to follow, making only such changes as are necessary to meet local conditions incident to a less populous territory and smaller per capita wealth. The fact that the Banking Commissioners in these States were formerly officers of our section and of this committee should be a source of pride and satisfaction to our membership.

The Mississippi legislature of 1908, chapters 110 and 111 of the laws of 1908, partially covers the subject matter under discussion by providing, among other things, for State supervision and the revision of quarterly statements by the State auditor, which makes for the security of both banks and depositors.

Alabama, by its new code, which went into effect May 1, 1908, provides in Section 3528 for the use of the word "trust" in the name of trust companies, and in Section 3530 prohibits the use of such word by corporations of any other character. No limited or other partnership is allowed to use the word "trust" as part of its name. This State has no law punishing the malicious circulation of reports derogatory to the financial standing of trust companies.

Ohio, at the session of its last legislature, passed a banking law covering all State institutions. This law provides for State supervision, minimum reserve, and makes it a criminal offense to circulate a derogatory report concerning the financial standing of such institutions. The law in question is not compulsory upon the banks until the year 1910, but your committee is advised that the sentiment among banks is such that it is not unlikely all conservative institutions will comply at once with its requirements, provision for such immediate compliance being made in the act.

In Louisiana the statute which the Standing Committee of the Association has been advocating, authorizing the payment of deposits made under the names of two or more persons to either of said persons, whether the other be living or not, was passed.

In conclusion, your committee deems it not out of place to refer to the movement, which seems popular with some politicians in various States, for the enactment of laws providing for the State guaranty of deposits. This plan, commonly called the Oklahoma plan, is not only radically socialistic in its tendencies, but directly operates

to take the property of one bank for the payment of the debts of another. Your committee feels that the adoption of such a plan would have the effect of placing at a discount the individual credit and standing of an institution and would tend to lower the grade of all such institutions in the particular State. It, therefore, strongly recommends the adoption of an appropriate resolution deprecating the enactment of such legislation.

(Signed)

H. P. McINTOSH,
PHILIP S. BABCOCK,
LYNN H. DINKINS.

On motion, the report was received and ordered placed on file.

President Babcock: I will appoint as the Nominating Committee John H. Holliday, of Indianapolis; Wilbur M. Baldwin, of Cleveland; David V. Webster, of Chicago; Roland L. Taylor, of Philadelphia, and A. L. Abrahams, of Denver.

President Babcock: We will now listen to an address from a gentleman who needs no introduction—Mr. Breckinridge Jones, President of the Mississippi Valley Trust Company, of St. Louis.

"The Trust Company—A Necessity," by Breckinridge Jones.

[Mr. Jones' paper in full will be found on pages 137 to 141 of this publication.]

President Babcock: The next address will be delivered by Mr. F. H. Fries, President of the Wachovia Loan & Trust Company, Winston-Salem, North Carolina.

"Radicalism vs. Conservatism," by F. H. Fries.

[Mr. Fries' address in full appears on pages 141 to 145.]

Mr. Parker, of Quincy, Illinois: I think it would be a good idea to have a committee appointed, as suggested by Mr. Fries in the paper that he has just read; and I make a motion to that effect, that the Chair appoint a committee to take into consideration that suggestion.

Mr. McCarter, of Newark, New Jersey: I move as an amendment that the suggestion be referred to the Executive Committee of the Section for action.

Mr. Parker: I accept the amendment.

President Babcock: All in favor of the motion will say Aye; opposed, No.

Carried.

We will now take a recess until 2 o'clock.

Adjourned until 2 P. M.

AFTERNOON SESSION.

President Babcock: The first address to be delivered this afternoon will be by Mr. Lawrence L. Gillespie, Vice-President of the Equitable Trust Company of New York.

"New York City Trust Companies Under Present Legislation," by Lawrence L. Gillespie.

[Mr. Gillespie's address in full is printed on pages 145 to 148.]

President Babcock: We will now listen to an address by Mr. Joseph N. Babcock, Trust Officer, The Trust Company of America, N. Y.

"Securities Held in Trust, Etc.," by Joseph N. Babcock.

[We print Mr. Babcock's address in full on pages 148 to 150.]

President Babcock: The next order on the program is brief addresses by vice-presidents of the various States. The secretary will call the roll of States and, as each State is called, the vice-president from that State, or some one else in his absence, is expected to respond.

CALL OF STATES.

Alabama: (No response.)

Arkansas:

Mr. H. L. Rammel, of Little Rock: In the absence of the vice-president from our State I have been requested to make a brief response. We think that we have made great progress in Arkansas in the last twenty years. Twenty years ago we did not have over ten banks in the State. To-day we have 375 banks, with deposits of between \$40,000,000 and \$45,000,000. The condition of the people is prosperous; the farmers are harvesting good crops, and the business men are in good financial condition. During the panic of last year we had no failures, except one, and that was the case of a small bank which was looted by the officers.

We had a very well-attended convention at Hot Springs this Summer, at which time the subject of postal savings banks and the guaranteeing of Bank deposits were discussed, and both measures were unanimously voted down. (Applause.)

The principal industry in our State is lumber. Of course, the panic affected the lumber interests; the consumers practically cut off their demands, but the mills did not shut down entirely, some of them that had been running day and night simply stopped running at night. Now they are running on full time again, the demand is increasing, and the price of lumber has advanced \$2.50 a thousand.

Our principal mining is coal mining. While we have had strikes at times, operations have again been started up.

Recently we have developed a new enterprise, namely, rice culture. Few people would have thought that we would be raising rice in Arkansas, yet the rice we produce to-day we think is better than any imported from abroad, and better than the rice raised in Louisiana.

We do not know anything about hard times, and if any of you folks have got tired of banking in these northern climes and

want to invest your money in a good, safe place, why come down to Arkansas and we will show you what we can do for you.

Oh! I want to say one more thing. The good people in Colorado have got gold mines. I have heard it asked many times what made this city of Denver, and it was said that it is because of the gold and silver mines up here, together with the climate. Now in Arkansas we have something better than gold and silver mines, we have diamond mines, and we have already produced over 300 splendid examples of diamonds, and experts of Tiffany & Company in New York have pronounced them among the best diamonds to be found in any land. So come to Arkansas and bring your ladies and get one of our diamonds. (Applause.)

California: (No response.)

Connecticut:

Mr. Ralph W. Cutler: Mr. President and Members of the Trust Company Section: It is a matter of great regret that the vice-president for Connecticut is not present at the convention. I have been asked not to let the roll-call go to the next State without saying a word on her behalf. Information is requested in regard to legislative enactments. In our State the legislature meets biennially, and 1908 happens to be an off year. The next session of our legislature will be held in January, 1909, and many bills relating to banks and banking will be introduced. One idea in especial lies very near the heart of the conservative bankers of the State. We have in Connecticut two Bank Commissioners who make semi-annual examinations of the different trust companies and State banks, one commissioner coming alone in the Spring, and the other in the Fall. These examinations must necessarily be superficial in their character, owing to the large number of banks to be visited. What we earnestly desire is to establish a single-headed commission with a corps of experts who will make a thorough and careful examination of every bank that they visit, taking their own time in doing so. We hope to establish a State banking department along these lines, conforming to the insurance department already so well established, and we hope that at the next convention the vice-president from Connecticut will have something to report upon this matter.

The banks of the State went through the panic safe and sound—no weak spots developing anywhere. No pay-roll checks were issued upon trust companies, and I am proud to say, that no clearing-house certificates were issued in any part of the State. Currency was scarce, as it was everywhere else, but by helping each other and using judgment, cash payments were made wherever absolutely required, so that no actual distress existed anywhere. Of all the banks in our State nine-tenths are members of the American Bankers' Association, and every trust company in the State of any importance is a member of the Trust Company Section. Our bankers are unanimously opposed to the idea of government guarantee of deposits. One of the prominent papers of the State sent letters to every bank, asking opinions of the officers on the subject, and in response the answers were unanimous against the idea, believing it to be socialistic in its character and pernicious in its development.

Our manufacturers are hopeful and full of courage, and are receiving many more orders than was the case three or four months ago.

Our life insurance companies are doing a wonderful business, and going on from strength to strength. Our fire insurance companies, in spite of heavy losses all over the country, are ably handled, risks are carefully scrutinized, and I assure you, gentlemen, that your policies in any Connecticut fire insurance company are perfectly safe.

Business, generally speaking, is very good indeed. Our large tobacco crop will help all branches of trade materially, and we believe that with a continuance of the Republican administration and the election of Mr. Taft we shall see continued improvement in business everywhere, and a return to our old-time prosperity.

I thank you, gentlemen, for your courteous attention.

Illinois, Indiana, Iowa, Kentucky, Louisiana, Maine, Maryland, Massachusetts and Mississippi. (No response.)

Missouri:

Mr. C. F. Enright: We have in this country four kinds of banking institutions, with the deposits divided about as follows:

Savings banks.....	\$3,700,000,000
Trust companies.....	3,100,000,000
State and private banks.....	4,300,000,000
National banks.....	5,000,000,000

This division of deposits indicates on its face the needs of the different kind of banking institutions as shown.

In the different States different laws govern the management of trust companies. Some States permit them to take savings deposits, others prohibit taking deposits at all. Some States permit doing a commercial business, while others confine them entirely to collateral business. By having a national charter a national trust company would possess that uniformity of character that would confine it to a uniform business throughout the United States.

While the examination and supervision in some States is up to the standard of national examinations, national examinations ought to be better than the average examination by State departments.

The trust company system is now as important a factor in the financial world as the national banking system. It almost

equals the latter in resources and liabilities and should have all the protection of the government thoroughly around it that is given to the national banking system. It should also be recognized as a governmental depository, the same as the national bank. On account of its importance in the financial system it should be accorded the same consideration in time of panic and distress as is accorded to the national banks, and in order to obtain this it should be under a national system of control.

On account of the odium that has attached to the word "trust" in connection with combinations of a different character from that of the legitimate trust company, there is no doubt but that trust companies have suffered and will continue to suffer by reason of the misunderstanding on the part of a large part of the public connecting the trust companies with the idea of trust or combination, which is held more or less in disrespect.

There is no doubt but what the word "national" attached to the name of bank is an emblem of credit and one that commands general respect, and to attach the word "national" to the name of a legitimate banking trust company would not only neutralize the unfavorable idea the public hold on account of word "trust," but would give it the same credit mark which the national banks now enjoy.

I cannot imagine how any honest, conscientious trust company official would oppose the nationalization of trust companies when it would mean stricter supervision, uniform system of doing business, and bring the trust companies to be recognized by the Federal government and the public at large to the fullest measure of importance in the financial world to which they are entitled.

I regard the trust company, in addition to its many measures of usefulness, the logical banker for the individual, and while the business of the trust company is growing daily as its facilities and usefulness is becoming understood, I can imagine nothing that would promote the progress, permanency and endurance of them so much as to bring them under one system of national character, which would give them the stamp of governmental approval.

The limit of time prevents a lengthy discussion of this subject at this time, and the above ideas are offered for the purpose of having them considered and reflected upon at home in the hope and with the view of having them taken up and pushed forward in due course.

Mr. Breckinridge Jones: If I may be permitted to say just a word also from Missouri. As this suggestion of Mr. Enright will go into the record I would like to have along with it the very clear statement that I believe there is no power in the Federal government to provide for a national trust company.

Mr. Enright, of Missouri: Are not the trust companies of the District of Columbia now under the supervision of the Comptroller of the Currency?

Mr. Jones: I will answer that. Yes, they are; and the very fact that Congress has provided for trust companies in the District of Columbia, where they have full power to do as they please, only emphasizes the fact that it has not power to do it anywhere else.

Mr. Enright: I assume that we can have whatever we desire through the Congress of this great country.

Mr. Jones: Even President Roosevelt has said that the Constitution was a living organism and that it could be expanded to do whatever we wanted it to do; nevertheless, I do not believe the American people are ready to accept that view. (Applause.)

Mr. Festus J. Wade, of St. Louis, Mo.: Brother Jones and I always have the misfortune to be on different sides of every question. I would like to have him point out to me the section of the Constitution that authorized the establishment of national banks. National banks were created 75 years after the Constitution was adopted. The authority that created the national banks was the Congress of the United States. Now, there is nothing prohibitory in the Constitution against creating national trust companies. True, there is nothing authorizing the organization of national trust companies, but it is equally true that there is nothing authorizing the organization of national banks.

Mr. Jones: If my Brother Wade had listened attentively to a paper that was read at the morning session he would have known more about the subject than his remarks would now seem to indicate that he knows.

Nevada: (No response.)

New Jersey:

Mr. DeWitt Van Ruskirk:

The President and Gentlemen of the Trust Company Section: As vice president for New Jersey it is my duty to bring to the attention of this association any changes in the laws of our State governing trust companies, or any other matters of importance affecting the status of trust companies.

I beg to state that there has been no legislation in our State during the past year which in anywise changes the conditions existing a year ago, and the only matter of importance has been a decision of our highest court with regard to taxation of bank stock and placing it upon the same basis of taxation as that now applicable to trust company stock.

The whole question involved in this controversy was whether the money of banks, national and State, to the extent that it was invested in non-taxable securities, should be exempt. Under the laws of our State it has been determined that they should be.

We, in common with the other banking interests of the country, have passed through a very trying period since the last meeting of this association, and I am glad to be able to report that not one trust company or bank in the State of New Jersey failed to meet its obligations. When so many of the trust companies and banks across the river from our State, in the great city of New York, were going to the wall, it might reasonably have been expected that the same trouble would extend to us, especially to those in the communities so closely affiliated with the city of New York that we are almost a part of it.

While the statistics of the banking department show that there was a falling off in deposits for the time being, it is safe to say that not one institution was in serious trouble, and every one of them is now nearly back to its normal position. I give you some of the figures:

The Commissioner of Banking and Insurance reported upon the trust company business of the State of New Jersey, as of December 31, 1906:

Deposits aggregating \$136,868,109. The gain for 1906 was \$17,051,706, or over 13 per cent. The number of depositors increased 37,403, over 15 per cent. The total resources increased over 7 per cent. Surplus and undivided profits increased \$1,101,023.

Bonds and mortgages constituted 14 per cent. of the total assets; stocks and bonds, 29 per cent.; collateral loans, 27 per cent.; notes purchased, 11½ per cent.; real estate, furniture, etc., 3 per cent.; cash on hand, 1 8-10 per cent.

Sixty-eight trust companies were then doing a prosperous and lucrative business in the state, with aggregate resources of \$181,784,406. In the following six months the number of trust companies had increased to seventy-one, with total deposits of \$139,913,417 and an increase of resources to \$185,768,274. The reports to the department indicate larger aggregates generally, in the various items reported, but surplus and undivided profits show \$171,596 decrease, a precursor of the 1907 depression. On December 31, 1907, the number of trust companies was seventy-four, an increase of six for the year. Deposits had shrunk to \$125,711,509, a decrease of nearly \$10,000,000 in time deposits and \$4,400,000 in demand deposits, and a shrinkage of more than a million and a half in surplus and undivided profits. Stocks and bonds on hand, by depreciation and sale, fell off \$4,600,000, and loans on collateral nearly \$8,200,000. "Other liabilities" increased \$2,500,000, and cash on hand increased more than \$2,000,000, conclusive evidence of the conservative management of the trust companies of New Jersey in the preparation for any emergency.

The reports to the State Banking Commissioner of June 30, 1908, show a marked recovery and encouragement in all departments of the trust companies. "Other liabilities" stand \$1,130,000, against \$4,039,000 in the preceding December, being \$2,909,000 decrease. Total deposits increased \$6,547,000, standing at \$132,258,529, being a gain of nearly half of the loss at the lowest depression. The cash on hand was more than double the legal requirement upon demand liabilities, and surplus and undivided profits regained over a million of dollars from the low figures of 1907. There was a gain of 23,636 in the number of depositors, though the total of deposits has not reached the high-water mark of June 29, 1907.

Some of the lessons to the trust companies of New Jersey of the panic of 1907 were:

1. That State supervision is a benefit and to be encouraged, and is not antagonistic to the welfare of banking institutions.
2. That our trust companies were as strong and as much relied on by the people during the crisis as the national and State banks.

3. That cash in bank and investments on call loans, in a larger proportion to deposits and a smaller investment in long-time loans, is necessary, notwithstanding nearly one-half of the deposits of trust companies of New Jersey are time deposits.

Sanity in the department must be presumed. Given this, the people—depositors and others—are less likely to stampede than if they had not this safeguard.

While conservative methods, if an institution lacks them, will be insisted on, it is for the good of all banking interests that such should prevail, and that the reckless banker should be eliminated.

Real, honest supervision and thorough examination is a good thing for every institution, and the more that customers and the public are impressed with the thoroughness of this supervision, the less liable are they to distrust and get needlessly concerned about the safety of their moneys on deposit.

Guaranty of bank deposits, if workable, might, to a degree, prevent senseless withdrawals in panic times, but assuming, as most of us believe, that this panacea is neither fair to the banker nor practicable, the next best safeguard is rigid and thorough supervision of every institution. This expense should be borne by the State. Some part of it could, however, be assessed against the institutions examined. New York has recently enacted a code of laws governing this and kindred subjects, which were drafted under the direction of an experienced and practical trust company man, who is now bank commissioner of that State, Mr. Clark Williams, late president of the Trust Company Section. Some such code of laws in each State would strengthen all. Loose or no regulation, resulting in suspension or failures in one State, are apt to induce unrest and distrust of the banks and trust companies in neighboring and other States.

It is suggested that the Trust Company Section request the American Bankers' Association to appoint a committee to draft a uniform or model law, incorporating the best features of the laws of the various States, which have well-organized banking departments, and to urge the associations in the several States to have enacted a law on the general lines which may be prepared by this association, providing for intelligent and thorough State supervision on up-to-date lines.

DE WITT VAN BUSKIRK,
Vice President for New Jersey.

New York:

Mr. Alfred M. Barrett:

Mr. Chairman and Gentlemen of the Convention:

The vice president for New York, finding it impossible to be present at this gathering, gives me the opportunity of addressing you at this time upon the trust company situation in the State of New York.

Since the holding of the last convention we have had, as you all are aware, a condition of affairs in the banking world in New York which has commanded the anxiety and the attention of not only

the people of our own State, but also that of the public mind in general throughout this country.

A financial storm, such as has never before been known, broke over the financial community in the State of New York, the effect of which has been widespread and far-reaching. A situation which was then strained almost to its limit has since become eased and strengthened by the passage of new and wise laws and by the appointment of a man well known to us all, as superintendent of banks of the State of New York, the former president of this association, Hon. Clark Williams.

The new laws which have recently been passed (some twenty in number) have done much to safeguard the banking institutions of the State of New York and to place the superintendent of banks in a position where he may direct, in a great measure, what financial institutions in the State of New York can or cannot do.

The trust companies of the State of New York (in the Borough of Manhattan) will be required, after February 1, 1909, to carry a cash reserve of 15 per cent. The minimum reserve required in other parts of the State will be 5 per cent. in cash and 5 per cent. on deposit with reserve depositaries.

Under the new law trust companies are prohibited from investing in more than 10 per cent. of the capital stock of private corporations. The establishment of trust company branches without permission being first obtained from the superintendent of banks and without \$100,000 additional capital for each branch, has been prohibited. This has been the occasion of some of the smaller institutions dispensing with some of their branches.

Prior to the passage of these new laws (recommended by Superintendent Clark Williams) there was a certain lack of supervisory power by the department of banking. Since the passage of these new laws, the results which have been obtained by the banking department quite clearly show how absolutely necessary it is that sufficient power be vested in the superintendent of banks in order that he can be, as he should be, the guiding power.

The law affecting loans made by trust companies provides that not more than 10 per cent. of the paid in capital and surplus of any trust company may be loaned to any one person, firm or corporation; except that in the Borough of Manhattan, of the City of New York, 25 per cent. (and elsewhere in the State 40 per cent.) thereof in total may be loaned on security worth at least 15 per cent. more than the amount loaned. The law before its amendment permitted trust companies in the Borough of Manhattan to loan 40 per cent. on security.

The law relating to mortgages provides that second mortgages shall not be made if the prior liens on the property exceed 10 per cent. of the capital and surplus of the trust company, or if all the mortgages thereon, as a whole, exceed two-thirds of the appraised value of the property as found by a committee of the board of directors.

No loan can be made subsequent to November 1, 1908, directly or indirectly, upon real estate security, by a trust company in the Borough of Manhattan if its total loans upon real estate security exceed, or will exceed by the making of such loan, 15 per cent. of its total assets or by trust companies elsewhere in the State, if such loans exceed or will thus be made to exceed 25 per cent. of its total deposits.

Depositaries.—No funds can be deposited with any other monied corporation except such as have been designated as a depositary by a vote of the majority of the directors or trustees of the depositing institution, exclusive of any director who is an officer or director of the depositary so designated.

Report of Directors.—Directors must hold regular monthly meetings. A copy of the loans in writing must be made to each director at such meeting or to an executive committee of not less than five, by a designated officer who shall verify the report by affidavit and file it with the records of the corporation showing all purchases and sales of securities and all discounts and loans of \$1,000 or over, with a description of the collateral and the total liability of any borrower whose liability has been increased by \$1,000 or over since the last regular meeting of the board.

A report shall also be made to each meeting of the board of directors of all loans in existence at the time aggregating \$50,000 and over.

Misconduct of Officers or Directors.—The penal code, section 505, as amended April 27, 1908, makes it a misdemeanor for any director, officer or employee of a banking corporation to deposit funds of the corporation with any other corporation on condition that a loan shall be made to any director, officer or employee of the depositing institution; or to intentionally conceal from or fail to report to the directors any loan or any purchase or sale of securities, or to agree at the time of issuing a certificate of deposit that it shall be paid in advance of its maturity.

Previous to the late panic there were in the State of New York eighty-nine trust companies, with a capital of \$97,930,000, and those companies have a surplus and undivided profits of \$175,288,342.

During the panic four of these trust companies suspended, three of which have since resumed—one only being now in the process of liquidation, all of the depositors having been paid in full.

Deposits of the trust companies of the State of New York in August, 1907, prior to the panic, were \$1,087,664,000.

The average deposits reported to the banking department for the week of September 19, 1908, were \$1,063,299,000. This shows a loss (since the panic) in deposits of but \$24,000,000.

There are now eighty-eight trust companies doing business in the State of New York.

Our present laws put the supervision of our banking institutions squarely up to the banking department of the State, where it properly belongs and always should have been.

Trust companies in the State of New York from their very inception have been phenomenally successful, but a fact not generally known, but much to their credit, is that there has never been a failure by which the depositors have lost even one dollar.

ALFRED M. BARRETT,
Assistant Secretary Guardian Trust Company of New York.

North Carolina: (No response.)

Ohio:

Mr. W. M. Baldwin:

The conservative bankers of Ohio are rejoicing over the fact that they now have a law, passed by the last State legislature, relating

to the organization and inspection of State financial institutions. This law is the result of a long struggle on the part of the officers of conservative banks and trust companies who have sought for a number of years to have the legislature pass a bill authorizing State inspection as an efficient method of enforcing the requirements of the law. The victory which was won last winter makes us feel like the old Roman who exclaimed: "Veni, Vidi, Vici!" (I came, I saw, I conquered).

We have sought to have legislation authorizing State inspection of banks, because the conservative institutions of Ohio have always conformed rigidly to all of the essential principles of safe banking which any law could possibly require, and they have observed these principles as consistently as could be demanded by any reasonable bank examiner. We have constantly regarded our institutions as being the trusted guardians of public and private funds, the protection of which has been held by bankers of integrity to be a sacred duty. We court inspection and desire to have the methods and policies of our institutions placed before the public in an authorized and legal way. This object will be accomplished by means of the sworn statements which are required to be published in the newspapers.

The law provides for the appointment of a State superintendent of banks, who has charge of the execution of the law in relation to banking companies, savings banks, savings societies, society for savings and loan associations, savings and trust companies, safe deposit companies and trust companies, and every other corporation or association having the power to receive, and receiving, money on deposit, now existing and chartered or incorporated, or which may hereafter become incorporated under the laws of the State.

The superintendent of banks may employ such examiners to assist him in the discharge of the several duties imposed upon him as he shall find necessary. The State bank superintendent is bonded in the sum of \$50,000 and each examiner in the sum of \$10,000, with surety which must be approved by the government of the State. A heavy penalty is provided for anybody connected with the State department should he impart any information learned through examinations, and the circulating of any false statements concerning any institutions governed by this law is expressly forbidden and made punishable. Neither the superintendent, nor any examiner appointed by him, can be interested directly or indirectly in any national bank, or in any bank, or other corporation or association, which comes under their supervision.

The law further requires that no less than four reports shall be made to the superintendent of banks each calendar year at such times as he shall require. Financial institutions are forbidden to advertise their capital stock as being larger than the amount actually paid in.

State bank inspection is the chief point won in the passing of this law; for although the old law contained commendable provisions, yet the law could not be properly enforced by reason of the fact that the State authorities were unable to obtain sufficient information concerning the methods employed by an institution. With State inspection, however, every legal provision relating to the protection of deposits can be rigidly enforced.

The percentage of reserve which the banks must carry is carefully provided for by the new law. This provision requires that commercial banks shall retain in their vaults in lawful money, at least 6 per cent. of all demand deposits; at least 4 per cent. of time deposits and a total of 15 per cent. on all deposits, a part of which reserves may be deposited with approved agents.

While the banks are not compelled to comply with the regulations of the new law until 1910, many of the conservative institutions have already submitted to its requirements and are conducting their business along the lines designated. The first report under this act has been called for by the superintendent and published in the newspapers, it being a very exhaustive one, following in a large measure the form used by the comptroller of the currency for national banks.

The inspection of State banks in Ohio, as provided by this law, will place the State institutions on a higher plane in public estimation. While there are hundreds of banks that will feel no restraint because of the law, having for many years followed rigidly those practices which have been made the basis of legislation, yet many institutions will be required to check up their affairs with the law's provisions. This will strengthen the banking situation throughout the entire State and establish a larger confidence in financial institutions. State inspection will give such assurance of absolute safety that much of the money which has been hoarded heretofore will be deposited with savings banks and trust companies. We have waited for State inspection for many years and welcome it as the official means by which conservative banking methods will receive the seal of the State.

In conclusion I wish to speak of the strong financial condition which the trust companies of our State have maintained, notwithstanding the unparalleled stringency in the money market.

While a few institutions have failed as a result of unconservative methods in management, their liquidation has so far progressed that I am perfectly safe in saying that every depositor will be paid in full, and some others have suffered a considerable diminution of their deposits because of a lack of confidence on the part of the public; yet many trust companies have regained deposits lost during the stringency and some have made large increase in total deposits.

There are seven trust companies in Ohio having capital and surplus amounting to more than \$1,000,000 each; while three of these institutions have each set aside surplus funds aggregating \$2,000,000 or more. Practically all of the trust companies have accumulated a significant surplus fund, which is an evidence of a determination on the part of the management of the various banks and trust companies in the State to safeguard their depositors in every possible way.

Oregon: (No response.)

Pennsylvania: (No response.)

Rhode Island: (No response.)

Tennessee:

Mr. W. Z. Dozier: I regret that I have no figures to give showing the financial condition of our State. I can only make a report in a general way. In the recent panic there was only one failure in the State, and immediately after the failure the bank was taken in hand by another institution and all the depositors were paid in full.

Our State is fortunately situated in that its industries are diversified. The eastern section of the State is devoted to mining, the middle section to farming and stock raising, and the western section to the cotton industry, and all these are in a flourishing condition. We have a very progressive State organization which holds instructive and enthusiastic meetings each year in different sections of the State and we have a group system connected with the State banking system.

Texas, Vermont, Virginia: (No response.)

Washington:

Mr. P. C. Kauffman, of Tacoma: The vice-president for our State is unable to be present, much to my regret; but I cannot let the opportunity pass without saying something as to the condition of Washington and the great Pacific Northwest.

At the meeting of this section in 1901 I stated that the deposits of the three States of Oregon, Washington and Idaho—constituting what is known as the Pacific Northwest—were at that time \$60,000,000, a figure which was over three times the deposits of 1896. To-day, according to reports of the authorities, the deposits in the single State of Washington aggregate considerably over \$150,000,000. The single city of Seattle shows deposits of nearly \$70,000,000; my own city, Tacoma, nearly \$16,000,000, and Spokane \$20,000,000, while we have a dozen smaller cities with deposits running from one to four million dollars each.

During the past year the banks of the State of Washington met the condition that faced them in splendid shape, there being only one small failure, and that was caused through bad judgment in the management of the bank. Since then, however, that bank has been reorganized and every depositor will be paid in full.

At the convention we held in June the subject of postal savings and a guarantee of bank deposits came up, and they were unanimously condemned in no uncertain terms. (Applause.)

Before I sit down I want to say that next year in Seattle there will be held what is known as the Alaska-Yukon Exposition and, on behalf of the citizens of Washington and Alaska, I extend to you all a hearty invitation to come there and see the wonderful resources of that section. We shall be heartily pleased to welcome you one and all.

West Virginia:

Mr. C. H. Harvey, of Huntington:

Mr. President and Gentlemen: In a very short time after our meeting at the great bathing resort, Atlantic City, there swept over this country a most depressing financial wave, one that not only tried the nerve and business ability of the small banker, but the largest bankers of our country, and greatest financiers had to strain their nerve and call into use every latent energy they possessed to steer their financial institutions past the breakers confronting them into a safe and calm harbor.

During these trying times, while the great reserve cities and central reserve cities were issuing clearing house certificates (scrip, as it was commonly called), in West Virginia, our section of the country, we were perhaps a little more fortunate. We never had to resort to issuing of scrip, being shippers of currency. We found our reserve and central reserve correspondents would not promise to ship us currency should we need it, therefore, in self-defense, we ceased shipping, and never for a moment stopped paying out currency over our counters, and furnished all of our manufacturers' pay rolls as usual.

In West Virginia we have strong banking laws, superior to many States, and much better than the national banking law. At the last session of the legislature we passed amendments that were improvements, and we hope at each succeeding legislature to further amend until we will have the best in this or any other country. As we are now rivaling the world in our rapid progress in the output of forest, coal, fruit growing, grazing and agricultural pursuits, we intend to keep abreast of the times in banking and conservative banking law.

The negotiable instrument act is now a law in our State. We have a law that it is now unlawful for any individual to do business and use the name or term of bank, banker, banking company or trust company until they have taken out a charter and complied with all the statutes governing banks and trust companies; and as our bank and trust company laws are very strict, we have eliminated to a large degree the wild cats from this branch of business.

We have in West Virginia the enviable distinction that a depositor has never, since the organization of the State, lost a dollar by the failure of a bank. Yet, with all this, I am heartily in favor of some plan of insuring or guaranteeing the deposits. In this I am not alone; the honorable commissioner of banking of our State, and I believe one of the best in the country, is a strong advocate of this reform in our banking law.

There are several amendments we would like to have, and I hope to get, to our banking and trust company law:

First.—To make it a penitentiary offense for any one to start or circulate reports detrimental to or might cause a run on a bank or trust company.

Second.—That the judiciary shall, when there is a trust company in this bailiwick, appoint it in preference to an individual to all the fiduciary appointments.

Third.—As the nation has set the example, the depositaries of the state should be banks of its own creation. And as time rolls by and new conditions confront us, keep abreast of the times and amend our banking law to meet the conditions, and not allow our State banking laws to become as antiquated as our national banking laws are at the present time.

President Babcock: We are fortunate in having with us this afternoon one of the former presidents of the section—the distinguished Superintendent of Banks of the State of New York, Hon. Clark Williams, and I am sure we should all be glad to hear a few words from him.

Mr. Clark Williams, of New York: Mr. President and members of the Trust Company Section: It is a great gratification to me to be with you to-day. I am on my vacation and I am not indulging in experiences such as have engaged our attention for the last nine months; I am not talking business. Indeed, I feel like the man who went fishing on the banks of the Erie Canal and fell in. A friend passing by saw him floundering in the water and cried: "Hello, Jim, how did you come to fall in?" He replied: "I didn't come to fall in, I come to fish." (Laughter.) Having been placed so prominently before you I cannot do less than express to you the message I bring from my constituents in the State of New York. There we have 20 per cent. of the banking power of the United States under our supervision, and I am confident that had that banking power been represented in an assemblage which had taken action instructing its superintendent of banks as to how he should speak upon two questions there would have been no doubt as to their determination. I am here to tell you that it will be very satisfactory to that 20 per cent. of the banking power of this country if this section goes strongly on record against the government bank deposit guarantee proposition, whether it be State or Federal. (Applause.) And they would also like to have this section use its influence by proper expression, if it be your will, that adequate State supervision of financial institutions is a wise thing to have.

Gentlemen, I thank you for the opportunity you have given me, and again I express my great pleasure in meeting so many of my old friends in the work to which I gave much of my effort and all of my heart. (Applause.)

President Babcock: While the roll-call of States was proceeding Mr. Webster was engaged in another room in the meeting of a committee. He is here now, and I ask him to respond for Illinois.

Mr. David V. Webster, of Chicago. There really is not very much to say from Illinois, apart from the general condition of business. There are 417 banks organized under the State laws with deposits of \$89,000,000 and total resources of \$516,000,000. Thirty-seven of these banks, with total resources of \$400,000,000, are licensed to accept and execute trusts. There are a number of foreign companies which have made the requisite deposits of securities with the auditor in order to do business in the State, and there are two organizations definitely incorporated as trust companies, but aside from these the business is handled by the trust departments of these 37 banks, and much of that business is done in Chicago.

Generally speaking, business has been pretty dull for the past six months and we think it is likely to be so for the next six months.

There is nothing to say on the subject of trust company legislation, because there has been none. Several amendments with relation to State banks were passed by the last legislature, which consisted mainly in the placing of restrictions upon the making of loans to an excessive amount.

GUARANTY OF DEPOSITS.

Mr. F. H. Fries, of Winston-Salem, North Carolina: I would like to offer the following preamble and resolution:

Whereas, The Legislative Committee has recommended that the members of the Trust Company Section, in meeting assembled, record their disapproval of the guaranteeing of bank deposits.

Therefore be it Resolved, That we enter our protest against the enactment into law by either the Federal or State government of any provision that pledges directly or indirectly the credit of the nation or State for the guarantee of bank deposits.

I would like to have incorporated with this—although the committee did not recommend it—that we also disapprove of the proposition to establish postal savings banks as well.

Mr. Lynn H. Dinkins, of New Orleans, La.: I would like to state that the President of the Savings Bank Section, who was conferred with about this matter, thought it would be inopportune for that section or for this section to pass such a resolution as this at this time. They have a legislative committee which has been to Washington once or twice on this matter, and I believe they have the matter well in hand and can give it the requisite attention.

President Babcock: I would like to ask the gentleman who offers the resolution whether he has considered whether or not such a resolution can properly be considered by this section, my understanding being that it would require a two-thirds vote of the section first in order to consider it.

Mr. Fries: I do not make the motion now in reference to postal savings banks, but simply in regard to the guaranteeing of bank deposits.

Mr. J. J. Sullivan, of Cleveland, Ohio: I desire to second the adoption of this resolution. I am quite sure I voice the sentiment of the bankers of Ohio when I say that we are unalterably opposed to the proposition to guarantee bank deposits.

Mr. Fries: I am a democrat, and therefore you may know that there are no politics in it when I offer a resolution of this kind.

Mr. Breckinridge Jones, of St. Louis, Mo.: I am a democrat, too, and I am opposed to the guaranteeing of bank deposits; but I have a serious desire for the welfare of this section and I believe the section will live long only on condition that it keeps within the limits of the purposes for which it was organized. This section was created to discuss questions that are peculiar to trust companies and not to take up questions that

are of a general banking nature. Nothing could be more unfortunate, in my opinion, than if we were to go outside of our functions and trench upon a matter that is properly within the province of the parent body—the American Bankers' Association.

Mr. Fries: Did not the Savings Bank Section pass a resolution similar to this?

Mr. Jones: Yes, and they did wrong, in my opinion. Now, in the Constitution and by-laws of the American Bankers' Association, these words appear, creating this section:

"A Trust Company Section, whose scope shall embrace matters of interest to trust companies in so far as such matters are distinct from banking."

If that restriction had not been there the American Bankers' Association would never have consented to the formation of this section, and I believe that nothing could be more hurtful to us than for us to disregard the fundamental law upon which the organization is based. We will have an opportunity to express ourselves on this question, when it comes up before the parent association to-morrow. Let us keep to the work that is germane to the Trust Company Section.

Mr. Festus J. Wade, of St. Louis, Mo.: Two years ago at St. Louis, when the convention was held there, an alliance, both defensive and offensive, was made between Brother Jones and myself at the instigation of Mr. Clark Williams, who was then in the trust company field, to the effect that we should take opposite sides on every question in order to bring out the fullest discussion. (Laughter.) Now, finding Brother Jones on the negative side, which is very unusual for him, I must take the positive side and oppose his views.

This is not a political question. In the State of Kansas both parties have endorsed this heresy. It is in the realm of an economic question attacking the growth and the prosperity of trust companies as well as banks. We get our charters from the States in which we do business. Already one State has passed a guarantee law, and if you choose to organize a trust company in that State you must not only protect the depositors of your trust company, but you must protect the depositors of every other trust company and every other bank in that State. Is that a trust company situation? Is it a banking situation? Is it not a fundamental situation for the protection of our stockholders and our depositors if we believe it is wrong? Should we be afraid of meeting the issue? Shall we recognize the guaranteeing of deposits or shall we condemn it? Suppose, as a hypothetical proposition, that the parent body should approve of this idea and it is contrary to your views. Would that convert you? Why not let them know to-morrow the views of the Trust Company Section, as they know the views of the Savings Bank Section?

Mr. Fries: I offered this resolution because I thought it lay very close to the interest of trust companies—much closer than it did to banks. However, I do not wish to embarrass the section by pressing it, and, if it is the ruling of the Chair that it is not a proper resolution to come before this body, I will withdraw it.

Mr. Jones: I submit that the resolution is out of order because we are a section of the American Bankers' Association and the Constitution of the parent association applies to us. That Constitution says:

"Resolutions or subjects for discussion (excepting those referring to points of order or matters of courtesy) must be filed with the secretary at least fifteen days before the annual convention and submitted to the Executive Council."

I submit that it is in violation of the spirit of that Constitution for us to entertain this resolution.

Mr. McCarter, of Newark, N. J.: I am sorry that this discussion has come up at all, but it has proceeded to such an extent that I am fearful of the result now of any lack of action on our part. I should hate to take up a newspaper to-morrow morning and read that the Trust Company Section failed to declare itself on this momentous subject. Therefore, inasmuch as our friends, the gentlemen of the press, are here and will no doubt make mention of this discussion in their report, I move the previous question regardless of constitutional rights. (Laughter and applause.)

Mr. Parker: I would like to discuss this question at length if time permitted, but I shall be very brief. When the American Bankers' Association consented to the creation of this section it did not take away from us the right to discuss and declare our opinions upon any subject. Now, my friend, Mr. Jones, did not read the second clause of Article VII. of the Constitution and By-laws of the American Bankers' Association, which says:

"But any person desiring to submit any resolution or business in open convention may do so upon a two-thirds vote of the delegates present." Now, sir, I believe we are a unit in this matter. One speaker this morning said that the hope of the country lies in the mugwump. I have been a mugwump for some time and I feel quite independent and I never know how I am going to vote until the nominations are all in. Now this matter has been brought to our attention and I think we should take action upon it. If I were killing a snake I should stamp all around and on it and stamp pretty hard. Here we have a vicious proposition in the matter of guaranteeing bank deposits and the establishment of postal savings banks. The Savings Bank Section has taken action upon one of those propositions. Let us take action upon the other. (Applause.)

Mr. McIntosh: The latter part of this Article VII. does not

say that a resolution must be referred to the Executive Council before action can be taken upon it; it says that it "may be" referred. You see, it is optional.

Mr. Dinkins: I wish to say, in behalf of the Committee on Protective Laws, that before it made the recommendation which has given rise to this resolution, the matter was referred to the attorneys for our company as to whether or not it would be proper under the constitution of the American Bankers' Association and the by-laws of the Trust Company Section for us to take action upon it, and their opinion was that it would. It was only after the receipt of that opinion that the committee made its recommendation.

Mr. H. L. Rimmel, of Little Rock: In our State we emphatically voted against the proposition to guarantee bank deposits. Now I am in favor of the adoption of this resolution. Let us vote upon it as a resolution, irrespective of any question of construction of any section of the Constitution.

Mr. Jones: Gentlemen, if you are going to meet an issue, why, meet it like men. If you take this action, take it because you say that you believe it is right. Don't take the position that some gentleman said here—whether it is constitutional or not. I challenge any gentleman here to say in good faith that he will vote for this resolution irrespective of the constitutionality of it.

Mr. McCarter: I am perfectly willing to face my people at home on the question of violating the constitution of this association, but I should be afraid to face them if after this discussion I did not vote to pass this resolution.

Mr. Sullivan: I think we all understand the principle involved in the general proposition. As to the constitutionality of it, I had something to do with this constitution; I was chairman of the committee last year that revised it. We are all respecters of law, and by right we ought to be. Now, if we adopt this resolution we will by no means trench upon the constitution. We are quite a factor within ourselves, regardless of the American Bankers' Association, and if we have views on this proposition, as I am quite sure we have, let us declare them. (Applause.)

(Cries of Question! Question! Question!)

Mr. Jones: I move to amend the resolution by reciting a preamble something like this:

It being the opinion of this section that the subject matter of this resolution is of interest to trust companies in so far as such matters are distinct from banking, therefore be it resolved so and so.

Mr. Fries: I think I will accept the amendment.

Mr. A. A. Jackson, of Philadelphia: It occurs to me that if we adopt the resolution in that shape it won't amount to anything. Is not the business that we do a business that banks do?

Mr. Parker: We are here to defend the life of trust companies which is assailed under this guaranteeing of bank deposits proposition. In voting affirmatively on this resolution we are voting in defense of our very lives as trust companies.

A Member: I move that this resolution be recommitted to the committee with instructions to present it to the American Bankers' Association and ask their adoption of it.

(Cries of No! No! No!)

Mr. Fries: Mr. President, I misunderstood the purport of the amendment that Mr. Jones made to my resolution when I stated that I would accept it. I desire now to state that I do not accept the amendment.

President Babcock: Then the question before us will be, in accordance with the constitution of the American Bankers' Association, under which we are acting: Shall this resolution come before the section? On that it will require a two-thirds vote.

Are you ready for the question?

(Cries of Question! Question! Question!)

All in favor of bringing this resolution before the section will rise and remain standing until counted; all opposed will now rise.

(Carried.)

Now the question is on the resolution as offered by Mr. Fries. All in favor of the adoption of the resolution will rise; all opposed to it will now rise.

(Adopted.)

Lessons Revealed by the Panic.

President Babcock: The next item on the program is "What Lessons for the Trust Companies were Revealed in the 1907 panic?" We should be glad to hear from Mr. Rhoades, of Boston, on this subject.

Mr. Rhoades, of Boston, Mass.: I think the discussion here this afternoon has taken so much time that it would be asking too much of you to hear anything that I might say. Indeed, what I could say on the subject has been very thoroughly covered in the remarks of the vice-president from New Jersey, Mr. Van Buskirk. The primal lesson to be learned is one of a more strict supervision by the banking departments of the several States. We had that in Massachusetts, and in New York the law is about the same. There should be a more strict supervision and the holding to personal accountability for their trusts of the officers of the different institutions.

NO ACTION ON POSTAL SAVINGS BANKS.

Mr. W. Z. Dozier, of Tennessee: I would like to make a

motion regarding the proposition to establish postal savings banks. I have not put it in writing, but my motion is this, that we disapprove of the adoption of the postal savings bank plan.

Mr. Dinkins: The Savings Bank Section is quite able to take care of itself and it don't want us to adopt any such resolution.

Mr. Dozier: I did not make the motion for that purpose. We do not expect any thanks from the Savings Bank Section for it. We have expressed ourselves against the proposition to guarantee bank deposits, and I think we should express ourselves on the proposition to establish postal savings banks.

A Member: I second the gentleman's motion.

President Babcock: All in favor of entertaining the motion will please rise, because it will have to be by a two-thirds vote. All opposed will now rise.

(Lost.)

NOMINATIONS AND ELECTIONS.

President Babcock: Next in order is the nomination and election of officers. Nominations for president and vice-president are made from the floor; nominations for members of the Executive Committee and for vice-president will be made, pursuant to the motion carried this morning, by the committee appointed for that purpose.

We are now ready to receive nominations for president.

Mr. Breckinridge Jones: Among those who have been most faithful and capable in the work of this section is a gentleman whom I desire now to place in nomination for president. He is an officer of one of the oldest trust companies in America, and during the last year has filled the position of vice-president of this section. He deserves the honor and I am sure his nomination will meet with the approbation of every gentleman here. I nominate for president of the section Mr. A. A. Jackson, vice-president of the Girard Trust Company, of Philadelphia, Pa. (Applause.)

Mr. Festus J. Wade: Mr. Jones and I are in perfect accord; I heartily second the nomination that he has made.

President Babcock: Are there any other nominations?

On motion, nominations for the office of president were declared closed, and the secretary cast the ballot of the section for the election of Mr. Jackson and he was declared duly elected president of the Trust Company Section for the ensuing year.

President-elect Jackson: I feel very much embarrassed to have had such a speech made about me. I have done nothing this past year to deserve so great honor. I appreciate your action very much indeed, and next year I trust that I may be able to do something to earn the office which you have now given me. (Applause.)

President Babcock: Nominations for vice-president are next in order.

Mr. L. L. Gillespie, of New York: I nominate for vice-president Mr. H. P. McIntosh, president of the Guardian Savings & Trust Company, of Cleveland, Ohio, who has served as chairman of the Executive Committee during the past year with marked ability and untiring energy. (Applause.)

Mr. Sullivan: I second the nomination most heartily.

President Babcock: Are there any other nominations?

On motion, nominations for the office of vice-president were declared closed and the secretary cast the ballot of the section for the election of Mr. McIntosh, and he was declared duly elected vice-president of the section for the ensuing year.

Vice-President-elect McIntosh: Gentlemen, I appreciate deeply the honor conferred upon me and I trust I may prove worthy of it. (Applause.)

President Babcock: The committee appointed to nominate five members of the Executive Committee and vice-presidents for the various States will now report.

Mr. Holliday: Your committee report recommending the election of the following five members of the Executive Committee:

A. L. Abrahams, Denver, Colo.

E. H. Fries, of Winston-Salem, North Carolina.

Howard G. Bayne, New York City.

John Stites, Louisville, Ky.

E. J. Parker, Quincy, Ill.

On motion, the nominations were declared closed and the secretary cast the ballot of the section for the election of the gentlemen named and they were declared duly elected.

President Babcock: We will now proceed to the election of vice-presidents for the States, with the understanding that States not represented the vacancies will be filled by the Executive Committee.

Vice-presidents for the various States were then elected as follows:

Arizona: Byrd Brooks, cashier, Merchants' Bank & Trust Company, Tucson.

Arkansas: Clifton A. Breckenridge, president, Arkansas Valley Trust Company, Fort Smith.

California: B. G. Tognazz, cashier, Central Trust Company, San Francisco.

Colorado: J. Arthur Connell, president, Colorado Title & Trust Company, Colorado Springs.

Connecticut: Francis Parsons, treasurer, Security Trust Company, Hartford.

Delaware: Gen. T. Coleman Du Pont, president, Wilmington Trust Company, Wilmington.

Georgia: William V. Davis, vice president, Savannah Trust Company, Savannah.

Illinois: Latham T. Souther, cashier, Sangamon Loan & Trust Company, Springfield.

Iowa: A. E. Ellis, president, Security Trust & Savings Bank, Charles City.

Kentucky: William G. Wetterer, secretary, Louisville Trust Company, Louisville.

Maine: E. G. Merrill, president, Merrill Trust Company, Bangor.

Massachusetts: Herbert A. Rhoades, president, Dorchester Trust Company, of Boston.

Michigan: Frank W. Blair, president, Union Trust Company, Detroit.

Missouri: Edward Buder, treasurer, Mercantile Trust Company, St. Louis.

New Jersey: A. McCracken, president, Central Trust Company, Camden.

New York: Harold A. Davidson, president, Lafayette Trust Company, Brooklyn.

Ohio: Edgar Stark, trust officer, Union Savings Bank & Trust Company, Cincinnati.

Pennsylvania: E. C. Emerick, treasurer, Susquehanna Trust & Safe Deposit Company, Williamsport.

Rhode Island: Charles Perry, president, Washington Trust Company, Westerly.

Vermont: Bradley B. Smalley, president, Burlington Trust Company, Burlington.

Virginia: S. Quarles, vice president, Virginia Trust Company, Richmond.

Cuba: Norman H. Davis, vice president, Trust Company of Cuba, Havana.

President Babcock: I will ask Mr. Fries and Mr. Jones to

escort the president-elect and the vice-president-elect to the platform.

The president-elect and the vice-president-elect were then escorted to the platform and invested with their respective badges of office.

Mr. Breckinridge Jones: Before we adjourn I desire to call the attention of the members to the magazine called *Trust Companies*, published by Mr. C. A. Luhnnow, in New York. It is the only magazine devoted exclusively to the interests of trust companies, and I think it deserves all the help we can give it, and I would suggest that all our companies subscribe for a sufficient number of copies of this magazine to send one to each director with their compliments.

Mr. McCarter, of Newark, N. J.: I desire to second the suggestion of Mr. Jones. The magazine to which he refers is certainly an admirable one, and is doing a good work, and for my own part I will pledge that our company will subscribe for at least twenty copies of it.

President Jackson: I would state that I have found Mr. Luhnnow, the publisher of this magazine, to be a most courteous and estimable gentleman, and he is endeavoring to conduct his magazine in a manner to deserve our commendation.

Mr. Taylor: Is it understood that the remarks about this magazine are to be included in our proceedings?

President Jackson: The chair so understands.

Is there any further business to come before the meeting? If not, I declare the meeting adjourned *sine die*.

SAVINGS BANK SECTION

AMERICAN BANKERS' ASSOCIATION

Seventh Annual Meeting, Held in Denver, Colo., September Twenty-Eighth, 1908

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The Proper Treatment of Savings Deposits When Taken by State Banks and Trust Companies.

By PIERRE JAY, Massachusetts Bank Commissioner.

One of the most remarkable achievements of the last hundred years is the accumulation, largely by wage-earners, of a fund of some \$12,000,000,000 in the savings banks of the world. The vastness of the amount and the innumerable army of depositors both indicate the absolute necessity of the savings bank in our modern industrial life. The prosperity of a country may almost be measured by its savings deposits, and that nation or State which neglects to make adequate provision for the savings of its wage-earners has laid a heavy handicap on its development and prosperity.

About two-thirds of this immense fund have been accumulated in the European countries, where government and municipal, as well as trustee, savings banks have reached a high stage of development. A study of the various European systems brings out two points which may be appropriately mentioned here; first that they are generally established by *national legislation*, and second that as the funds are generally invested in the credit of a nation or a municipality their *safety is unquestionable*, and could be imperilled only by dishonest or negligent management.

In the United States, on the other hand, we have never had national legislation on the subject, but it has been left to each State to decide what agencies it shall establish to care for the savings of its citizens. The result is that while some States have made admirable provisions, others have made none at all, and all too few have approached the question from the standpoint which the foreign system recognize as fundamental, namely, the absolute safety of the funds deposited.

The agencies at present receiving savings deposits in this country and the States in which they are to be found, appear to be the following:

1. Uncapitalized or "mutual" savings banks with investments regulated by law. In the New England and Middle States with occasional banks elsewhere.
2. Capitalized savings banks with investments regulated to some extent by law. Most savings banks of this class also receive commercial deposits. In Ohio, Michigan, Iowa, Texas, Louisiana, Nebraska, California, Montana, Colorado, Wyoming and Idaho.
3. State banks and trust companies with investments of savings deposits regulated by law. In Vermont, New Hampshire, Connecticut, Rhode Island and Massachusetts.

4. State banks and trust companies with investments of savings deposits not regulated by law. In almost every other State.
5. National banks, none of whose investments are regulated by law, except that they may not invest in real estate mortgages. In every State.

It will be seen, therefore, that outside of the States included in the first and second groups, and to a considerable extent even in those States, the savings of the country are deposited in classes of institutions which were never intended to be used as savings banks, viz.: State banks, national banks and trust companies. And furthermore that as the investments of these institutions are substantially unregulated by law, the investment of savings deposits in a majority of the States is without legal regulation, and consists for the most part of commercial paper representing ordinary business risks.

Since, then, a very large proportion of our wage-earners are obliged, for lack of other agencies, to deposit their savings in such institutions, it seems proper to trace briefly the origin of the savings deposit and to inquire whether it does not differ in its nature and in the purpose for which it is deposited from the deposit of the merchant, which is merely a margin for the loan which the bank has made him, or from that of the non-borrower who deposits in order to use the credit of the bank in paying his bills.

The earliest savings banks, in both England and the United States, were organized by benevolent persons who offered, as *trustees*, to invest the money of those who, through lack of experience, were unable to invest it themselves. There was no connection between the savings deposit and a loan, nor did the depositor wish to make use of the credit of the bank in any form whatever. The money was placed in the bank for safekeeping and investment. These informal institutions were soon given the sanction of law in both countries; and the investments authorized for trustees of savings banks in Great Britain and in our Eastern States are substantially the same as those approved for trustees appointed under wills or by the courts.

In these uncapitalized banks, therefore, savings deposits not only are invested as trust funds but are everywhere regarded, morally, as trust funds, although court decisions classify them as mere obligations of the bank. On the

other hand, in capitalized banks savings deposits are not regarded as trust funds, either legally or morally. But whether deposited in capitalized or uncapitalized banks, there can be no question that they are put there for identically the same purpose, and generally by a class of people whose education and training does not enable them to distinguish between the two kinds of institutions.

The Pittsburg iron-worker invests half his savings in the mutual savings bank, and the other half in the trust company across the street. Is there really any difference in the nature of the two deposits? The Providence mill-hand puts his savings in the mutual savings bank on Saturday night and awakes on Monday morning to find that involuntarily he has become a depositor in a trust company. Has his deposit changed its nature in consequence?

The more I study this subject the clearer it seems to me that, morally and essentially, savings deposits, wherever deposited, are trust funds and should be invested accordingly.

In no State does it appear that mercantile credits, in which so large a proportion of our savings deposits are invested, are sanctioned by statutes or by courts as proper investments for trust funds. All courts and the laws of many States require trustees to invest their funds in securities or loans of established and permanent value. What an anomaly it is that while the investment of individual trust funds is everywhere carefully supervised by law or by the courts, the investment of that great composite trust fund, the laboriously accumulated savings of the wage-earners, should in so many States be entirely unregulated!

Should not all savings deposits be invested in the same manner by whatever institution they are received? And is not the wage-earner entitled to have his savings invested in approved securities whether he puts them in savings banks, State banks or trust companies?

This is a principle which has been adopted in, and placed on the statute books of five of the New England States. It also appears, in a less complete way, in the banking law of Michigan. At its convention in June the National Association of Supervisors of State Banks unanimously resolved to recommend its adoption in every other State in the Union.

The practical working of the principle is this: All savings deposits are required to be kept in a "savings department." The accounts and investments of the savings department are entirely separate from those of the commercial department, or bank proper. The investments of the savings department consist of those securities and loans which in each respective State are considered proper investments for savings or trust funds. In case of failure or dissolution, the savings depositors have a first lien on the assets of the savings department, and if these are insufficient, they have an equal claim with other creditors of the institution on its general assets as well as on the investments of the capital stock and on the stockholders' liability.

Such a segregation, legally required and extensively advertised, cannot fail to increase the confidence of the laboring classes in the banks, and to bring to them large amounts

of money now withheld from circulation. Furthermore, it cannot fail to increase the confidence of those who have already deposited their savings in the banks and render them less timid in times of stress.

Against the extension of the segregation principle, it is urged that the two functions of receiving savings deposits and commercial deposits should never be performed by the same institution; that there should be savings banks for savings deposits and commercial banks for commercial deposits. This is eminently sound and it would undoubtedly be well for the wage-earner if the trustee savings bank system prevailed all over this country. The fact is, however, that while it grows vigorously in the Eastern States, it is making but little headway elsewhere, and even in the Eastern States the receipt of savings deposits by State banks and trust companies is increasing perceptibly. Therefore, the question is not merely—what is theoretically best, but what can reasonably be done under existing circumstances and tendencies to better protect savings deposits?

It is also argued by the State banks and trust companies that to be required to invest savings deposits in securities of more established value than mercantile credits will seriously diminish their profits. The answer is first that for savings deposits safety, rather than large dividends, is the essential thing; and second, that profits will not be so largely diminished as they imagine. In 1906 the total assets of Massachusetts savings banks with their restricted investments earned 4.01 per cent. and the total assets of Massachusetts trust companies, practically unrestricted, earned 4.51 per cent. In 1907 the figures were 4.09 per cent. and 4.67 per cent. respectively.

I have been very glad of the opportunity to bring this matter before you in somewhat concrete form, because it has been suggested at meetings of the Section so often in a general way that I believe it will fall on minds not altogether unprepared. As the membership of the Section includes all of the five classes of institutions which I have enumerated as engaged in receiving savings deposits, its members can hardly fail to have been impressed with the inequalities of the laws and regulations under which they are working, and there can be little question that the inadequacy of the savings bank system in some of the States and the total lack of it in so many others, has been the cause of the agitation for a postal savings bank.

There is nothing radical in the segregation plan which I have outlined. It requires no new institutions. It drives no existing institutions out of business. It permits a profit to continue to be made from the administration of savings deposits. The laws of several states, notably Ohio, Michigan, Utah, Oregon, Washington and Idaho already provide that a bank may conduct two separate businesses or departments, "commercial" and "savings." The segregation plan secures a legal and actual separation of these two fundamentally different classes of business, and requires savings deposits to be administered and invested in a manner which should command the entire confidence of the public.

Effect of the Recent Panic on the Eastern Mutual Savings Banks

BY JOHN C. GRISWOLD, Secretary Excelsior Savings, New York.

"Mutual" as used by savings banks, for instance, means "common" according to "Webster's," therefore we understand that the moneys of all depositors in mutual savings banks are put in common and the depositors mutually and in common receive such profits as this common fund may earn. "Mutual" further means "reciprocally given and received."

In the Eastern States so termed "mutual savings banks" predominate, and in most of these States "mutual savings banks" only are by laws recognized or permitted. For

several generations the inhabitants of these States have grown to their majority with one clear understanding regarding savings banks at least, viz.: that the money there deposited and its earnings all belong to the depositors in common, and the officers having charge are selected for their trustworthiness.

The statutes of the various States referred to (such as relate to savings banks) are plainly and clearly drawn as a whole, and so well originated, and amended where needful, under the sharp supervision of those unselfish philanthropic

and able men identified with savings banks, whose memory is venerated, that it may be said that if these laws are complied with faithfully no such bank can reach a position which would endanger its depositors. Savings banks are supposed, I believe, to be entirely separate from connection of interests with any other class of banking. When the Hon. Levi P. Morton was Governor of the State of New York, in his first message to the legislature he particularly recommended that savings banks be made entirely independent of banks of discount and deposit, whether State or national, and trust companies. "Any tendency to merge these interests in the same personnel in the same room or suite of rooms leads to confusion of interests and gives great occasion and opportunity for unbusinesslike proceedings and irregular methods," said a former superintendent of banking of the State of New York, and quite properly said.

Mutual savings banks are supposed to be, and it is believed are, managed and their affairs administered, free from politics and personal pecuniary gain to the trustees or directors of their elected or appointed officers, except that active officers are, as would be expected, remunerated for their time, energy and talents. They are practically employees of the bank, expected to perform duties exactly as are professors, superintendents, managers, etc., in all trades and professions. Those trustees or directors (of some institutions) who are members of committees appointed for the purpose of investing the bank's funds or of disposing of securities or for other work of bank are for such actual attendance paid a slight stipend, the amount of which is usually determined upon by the majority of the board of trustees, exclusive of the members of such committee.

All other earnings of such mutual savings banks after payment of general necessary expenses—rent, taxes, interest, stationery, etc.—are the undisputed property of the depositors, as is well known, whose numbers are composed of both sexes and we might say include samples of every grade of education, ability and financial responsibility. Taken collectively such aggregation of depositors is not fitted to manage or to take active part in the management of their possessions so deposited, therefore these funds are invested by a board of trustees selected for that purpose, owing to their high standing as to character, ability, reliability and responsibility, and so selected as provided by the statutes of the different States in which they are located.

The mutual savings banks of the East have well withstood the rigors of the financial winter from which the country is emerging, as was to be expected of them. The trust placed in them was faithfully kept. Few depositors were in fear as to the solvency of their savings bank during the most distressful times of the panic period, nor of its ability to supply funds to all depositors whose necessity required, and this fear apparently disappeared entirely by January 1, 1908.

Such research as has been possible for me to make in the brief time since allotted this subject shows that in the States of Maine, New Hampshire, Pennsylvania, New York, Maryland, New Jersey and Delaware there was on deposit in savings banks on or about July 1, 1907. \$1,905,074,666.39 and on or about July 1, 1908. 1,892,202,075.95

thus showing a decrease in deposits of but \$12,872,590.44 or .00675 per cent.

The reports of Massachusetts are computed to October 31, annually, those of Connecticut, October 1, annually. In Virginia, savings banks statistics are not kept separate from statistics of commercial banks.

In New Hampshire there are 46 savings banks, 9 guar-

anty fund banks and 6 State banks or trust companies having savings departments.

In Pennsylvania all savings banks are purely "mutual," except one of capital \$10,200, which was incorporated prior to the adoption of the Pennsylvania constitution in 1874.

In New Jersey all savings banks are "mutual," except one incorporated by special act of the Legislature in 1869.

In Vermont there are 22 mutual savings banks and 27 trust companies. The trust companies are stock companies and are permitted by law to receive savings deposits same as savings banks.

In all the remainder of the districts included in my research, save Virginia, it is reported that all savings banks are "mutual." Virginia statistics were not furnished.

No savings bank located in New York, Connecticut, Massachusetts, Delaware, New Jersey, Pennsylvania, New Hampshire, Vermont, Maine and Maryland, failed to pay depositors strictly in accordance with their legal contract. In a few larger cities and towns, centres of bustling trade, it was deemed by savings bank managers that it was for the best interests of the depositors and the community to require 30, 60 or 90 days, (as their by-laws read), notice of intent of depositors to withdraw more than \$50 to \$100.

In instances where need of more was made clear by the depositor payment was made therefor promptly.

As the banks and trust companies of the City of New York, in which a large sum in aggregate was deposited by the savings banks, were in no position to supply such an enormous amount of currency as might, if permitted, be required by savings banks depositors, whose sole desire was to put it out of circulation by hiding it as of old in chimney corners, etc., the savings banks of the City of New York (the then center of excitement) advised with the Clearing House Association, and it was mutually decided best that the savings banks require notice of withdrawal beyond a limited sum.

This action, which brought content and satisfaction to all interested, and beyond question opened the way wide for reason to travel, was followed for like purpose and with like result, by savings banks in several other larger cities of the country.

In treating this subject, upon which I have the honor to address you, the endeavor has been to be as brief and trite as possible. It is proper for me, however, and I do with pleasure refer to the many institutions located in other States, which care for the savings of the people, but under laws permitting stock companies to act as savings banks, and permitting such institutions to perform various other duties, such as pertain to trust companies, commercial banks, etc.

Many such institutions, as we all know, have grown to immense proportions, and like their relatives in the East, the "mutual savings banks," they stand pillars of strength.

The savings institutions of these other parts of our country during the period treated, it is to be believed, likewise merited the esteem and trust placed in them.

As the years go the question whether savings banks shall be mutual savings banks or shall be stock savings banks may be determined in favor of one or in favor of the other; in either event, we are all a unit, I know, in thinking that the absolute safety of such depositors' deposits must be uppermost in the minds of those whose guidance the statutes to govern are to be prepared.

The deposits should not, in any way preventable, be jeopardized. All that the human mind can, with unselfish skill, invent which will tend toward assurance of safety of principal, together with the best income thereon, should be at the disposal of institutions caring for savings.

I thank you, gentlemen, for your attention.

Detailed Report of Proceedings.

Seventh Annual Meeting SAVINGS BANK SECTION, Held at Denver, September 28, 1908

MORNING SESSION

BROWN PALACE HOTEL,
DENVER, Sept. 28, 1908.

PRESIDENT TETER: This meeting will come to order. Our proceedings will be opened with prayer by the Rev. Dr. Banks, Pastor of Trinity M. E. Church of this city.

PRAYER.

By Rev. Louis Albert Banks, D.D.

O! God. We thank Thee this morning that we are permitted to come to this meeting with health and strength and bright sunshine and pure air and the glorious day opening before us. We thank Thee that the storm has passed and that the day is so beautiful, and we pray that all the storms of our lives may pass like that; that we may have such faith and confidence in Thee and so do Thy will and work our purpose in life that though storms may come and weeping may endure for a night joy shall come with the morning.

We pray, Our Father, for Thy blessing upon this convention. We pray that Thy gracious blessing may be upon all the men and women who have come to attend it. We thank Thee for these men who have so much of the confidence and faith and good will of their neighbors in the communities in which they live. We thank Thee for the era of confidence and faith of man in man that has made these great institutions which they represent possible in the earth. We pray, Our Father, that these men may so do their work and may so execute the trusts committed to them that they shall add to the confidence and faith and good will of humanity.

Let Thy blessing rest upon all the delegates here assembled. We pray that their families may be blessed, that their homes may be saved and protected in their absence. We pray that the delegates may be protected from danger and accident in their journeyings that they may come again after their labors are happily ended to their homes in peace.

O! God, Let Thy blessing rest upon all the work of this convention. Let Thy blessing be upon this Section of the American Bankers' Association and each of its members. Grant unto each one that day by day in handling the trusts of life, in dealing with the physical things of this world that are so essential to our daily lives, that we may deal with them realizing that they mean to us to be but the emblems of the higher spiritual things of faith and honor and truth and justice and love and brotherhood, so that we may use the physical and at the same time gain through it the spiritual and the higher and nobler use of life. For Jesus Christ's sake, Amen.

President Teter: We will now have the pleasure of listening to an address of welcome which will be presented on behalf of the Denver Bankers by Mr. W. T. Ravenscroft, President of the Federal State and Savings Bank of this city.

Address of Welcome by W. T. Ravenscroft, President, Federal State and Savings Bank, Denver, Colo.

'Mr. President and Gentlemen:—It is my pleasant duty to extend to you a most hearty and cordial welcome to Denver, the Queen city of the Centennial State. We are glad that you have honored us with your presence, and we extend our hand in all friendliness and hospitality.

This city is the greatest convention city in the United States, and yearly welcomes numerous representative gatherings, but I am sure none of them have had a more sincere and heartfelt welcome than I now give to this body on behalf of the bankers of this community. I am also sure that our citizens in general view this gathering with great respect, and are more than glad to have you with us, knowing that this convention not only has the interests of the institutions here represented at heart, but the good of the people at large as well.

I hope I may be pardoned for saying that we who live in Denver are proud of our city and State, possessing as they do so many attractions peculiarly their own. This city is remarkable when one stops to think that it has been only about fifty years since the first house was built, while to-day we have over 200,000 inhabitants. Our population is in a sense cosmopolitan, and I have no doubt any one of you will pass on our streets people from your own home who are now prosperous citizens of Denver.

Our State is rapidly developing along every line, and I believe offers more opportunities than any State in the Union. Our large mining resources, once Colorado's principal asset, are now overshadowed by our agricultural interests, and the many new irrigation enterprises underway are yearly turning heretofore worthless land into the most productive farms in the world. The fact that we possess within our boundaries immense bodies of coal and an unusual variety of raw materials make it more than probable that we will within the near future place our manufacturing in the foreground.

Our banks are in a healthy condition, the total deposits of the State being about \$130,000,000, \$60,000,000 of which is held by the Denver banks. This city is the financial center of a vast territory, and is daily increasing its prestige in banking and business activities. Colorado emerged from the recent panic with the largest cash reserve of the country, the average being, according to statistics compiled, 42.53 per cent., while the reserve in Denver banks in many cases was over 50 per cent. This city went through the panic without resorting to the clearing house certificate plan of adjusting bank balances, daily settlements being made in cash as usual, and the small amount of secured cashier's checks issued to the public were soon cancelled. No savings institution found it nec-

essary to take advantage of its sixty-day notice of withdrawals, and all wants of customers were promptly taken care of. Business interests suffered but little and after the first few days had passed it would have been hard to discover, as far as this city was concerned, that the country was passing through a financial crisis.

Denver has no distinctive savings banks. By this I mean none that take savings exclusively, all doing a commercial or trust business as the case may be. This is accounted for, no doubt, from the fact that the city is comparatively new and its citizens have not yet formed the same kind of saving habits found in older States.

Denver is to be congratulated upon your visit, for the American Bankers' Association is certainly a most important organization which has already left its imprint on the finances of the country. It has before it still greater problems which its conservation and the sound judgment and ability of its members will enable it to solve in a way that should and will affect any new system of finance and banking which the future may bring forth.

The savings bank section especially gets close to the masses of the people, for whatever is done in the interests of the savings of the people of small means both in the way of education along lines of thrift and economy and the better securities of savings when once in the bank, is of inestimable service to them. There is also an unselfish side to the upbuilding and betterment of the savings business where every dollar of deposits is a special and peculiar trust, the safe keeping and profitable handling of which must earn for you from your depositors a "Well done, good and faithful servant."

I hope, gentlemen, that this may be the most profitable meeting you have ever had, and that your pleasure while here may be abundant. I heartily welcome you to this glorious country of sunshine and exhilarating atmosphere, from whence comes the great portion of the gold and silver you so much delight to see flowing into the tellers' windows of your respective institutions.

Our happiness will only be complete if we can feel at the end of your visit that you have enjoyed every moment of your time to the fullest extent.

Again, I bid you a hearty welcome.

President Teter: Mr. Ravenscroft, I thank you on behalf of the section for your kind words of welcome. There has never been a moment since we were invited to come to Denver that we were in doubt as to the nature of our reception; at the same time, when we arrived at this beautiful city of the mountain and the plain we were almost embarrassed with the glorious showing of the hospitality for which the town is so famous. I can assure you that we are going to enjoy it to the utmost. When some of us left our homes the thermometer was around 90 degs., and when we reached here we found that you had already cooled the atmosphere for us. Indeed, such hospitality is thoroughly appreciated.

Annual Address of President Lucius Teter.

Our meeting to-day is held in a city far from the centres where most of the savings banks of our country are located. This means that most of you have traveled many miles to attend this meeting, and I congratulate you as well as the section upon the effort which you have made.

There is much that is inspiring in all that we see around us. When we recall the fact that this beautiful city of Denver was founded but fifty years ago, we can realize what is meant by "Western push and enthusiasm," and while in these newer sections of our country great sums have not as yet accumulated in the dormant accounts of savings depositaries, financial institutions of the West are strong and vigorous and managed by men who are abreast of the times and eager to serve the communities in which they live; in fact, if it were not for them much of the progress, the beauty and the grace of these Western cities would be impossible.

The method of shifting our meetings each year from one section of the country to another makes it possible for us to know each community better and give further evidence of the unity of our country and the unity of purpose in the American Bankers' Association, and I find in this unity of thought and purpose on the part of our American bankers a promise of strength and co-operation for the future that means more for the stability of American financial institutions than could possibly be secured by any of the devices urged by political adventurers.

The year that has passed since our last convention is one that we will all remember for a long time. The financial crisis of 1907 appeared shortly after our meeting at Atlantic City, and the officers of your section, as well as the members of the various committees, were kept busy attending to financial conditions at home, so it is that with little exception the activities of your officers have extended over only about one-half the year.

While this may have been to a certain extent an off year in association activity, I am glad that it has been a year in which the great advantage of bankers' associations has been demonstrated. It must appeal to the most casual observer that the splendid co-operation of the bankers throughout the country contributed more than anything else to the definite and systematic efforts which checked the possibilities of a great panic and brought us quickly to a reconstruction period.

I hold that the broader acquaintance and the confidence which we learn to have in each other through these associations have more to do with making these conditions possible than anything else. With this thought in mind, it would seem to me advisable for us to work

to the end that eventually the American Bankers' Association and its several sections shall include as nearly as possible all of the banking institutions of the United States. Our secretary will report the splendid increase in membership in the section since our last meeting. I am very glad of this, but it still remains a matter of considerable regret to me that there are outside the membership of the American Bankers' Association a large number of the substantial mutual savings banks of the East. I believe that we should immediately take some steps to the end that these be brought into the membership of the American Bankers' Association and close working relation with our section. I understand that there is some objection to the membership fees established by the association in connection with these mutual savings banks. If this is the difficulty, we should see whether it cannot be remedied. But I suspect that the greater reason is that as yet these institutions have not come to see the great advantage to be derived from membership in the American Bankers' Association. We should also let them understand how much they can help us by joining our ranks.

Important reports will be made to you by the chairman of the various committees. Details of the action of our executive committee will be reported by the chairman, Mr. Creer. The secretary's report will contain a financial statement and will tell you of the growth of the section and of some of the various activities of the year. A report of the Committee on Uniform Laws will be made by the chairman, Mr. Johnston. The question of uniform laws for State and savings banks throughout the different States is of great importance and it is very desirable that the laws of the several States shall be made as nearly uniform as possible and of such a character as amply to protect and safeguard both the depositors and the banking institutions. This is a great work and will take years to accomplish, but, as was the case with the Negotiable Instruments Law, the thing to do is to make a start and keep everlastingly at it and definite results will be secured.

You will recall that at our last convention we continued our Committee on Auditing; this committee will present to you an excellent report which I believe will prove of much use to savings bank officers. I would recommend that this committee be continued so that there may be a centre where suggestions in the way of new and improved methods may be received, acted upon and systematized.

All things considered, probably the most important committee of this year is the Postal Savings Bank Committee which you authorized at the last meeting. Immediately following our meeting at Atlantic City your president appointed a committee consisting of Colonel Charles E. Sprague, New York; ex-Governor Myron T. Herrick, Cleveland; Mr. C. La Rue Munson, Williamsport, Pennsylvania, and P. Le Roy Harwood, New London, Connecticut. Owing to the necessity for handling considerable detail work, Mr. F. R. Morrison, of Cleveland, was subsequently added to the committee, with the special duty of acting as its secretary.

It seemed impossible to secure a meeting of the committee during the latter part of the year 1907, or the early part of the year 1908. In the meantime your secretary and president watched the matter of postal savings bank legislation at Washington and on the first of March made a visit to Washington with a view of familiarizing themselves with the situation. We avoided discussing the merits or demerits of the proposition with members of Congress, going simply with the idea of acquainting ourselves with the situation. We satisfied ourselves that there was no probability of postal savings bank legislation during the existing session of Congress and having made arrangements for copies of various bills then before Congress to be sent to us, we returned home.

At the meeting of the Executive Council of the American Bankers' Association in May your officers were asked to report what we were doing in reference to the matter, and acting on the suggestion of your president the council asked us to furnish a synopsis of the bills pending before Congress. This synopsis was prepared by Mr. Morrison and was published in the August number of the American Bankers' Association Journal.

A very satisfactory meeting of the Postal Savings Bank Committee was held in New York City, August 7, at which time the subject was carefully considered and a set of principles agreed upon. A final meeting of the committee was held in the City of Cleveland, September 15, and a report prepared, which report will be presented to you to-day.

I am thoroughly convinced that some definite stand should be taken by this convention and that of the American Bankers' Association at this time. There is no doubt that an earnest effort will be made to pass some postal savings bank legislation during the coming winter. Therefore if we wish to take any part in the matter, we must pass such resolutions at this meeting as will be approved of by the entire association and appoint a committee to represent us in the further consideration of the subject.

I should like to thank the officers of the section and the various members of the Executive Committee and of the special committees who have done such loyal work during the past year and have made possible the satisfactory reports that you will hear to-day. Especially should our thanks be given to our loyal secretary, Mr. Hanhart. The volume of correspondence arriving at the office of the section is now very considerable and the greater part of this requires his personal attention. All of your officers, including your secretary, are busy men in their own lines of work and we owe them a great deal for their efforts in behalf of this section. The success of the Savings Bank Section thus far has been remarkable and I trust that in the coming year and in all the future years we may maintain high standards in all that we undertake. This history of the past shows us that there has been a great work for the savings bank section and I believe that there is even more to be done in the future.

MEMBERSHIP COMMITTEE APPOINTED.

Mr. John C. Griswold, of New York City: Apropos of the admirably set forth suggestion of the President in his address toward increasing the membership of the section, I beg leave to offer the following resolution:

Resolved, That the President be directed to appoint a committee of three, of which the incoming first vice-president shall be chairman, to be known as the Membership Committee; the special duty of the committee shall be to investigate thoroughly the subject of increasing the membership of our section in co-operation with the

officers, and to report fully at the spring meeting of the Executive Committee, there to receive further instructions as to its future activity.

Mr. Johnston, of Schenectady, N. Y.: I desire to second the adoption of that resolution.

President Teter: Gentlemen, you have heard the resolution. Is there any discussion of it? If not, all in favor of its adoption will signify it by saying Aye; opposed, No.

Adopted.

President Teter: I will appoint as the gentlemen to constitute the Nominating Committee, whose duty it is to nominate officers for the ensuing year:

John C. Griswold, of New York City; Lynn H. Dinkins, of New Orleans, La.; and Mr. Noel, of Chicago, Ill.

We will now listen to the report of the Executive Committee.

Mr. Creer, of Cleveland, O.: Just one word before presenting the formal report. At our meeting last spring it was with some distrust that we decided to make the experiment of holding the meeting of the Savings Bank Section on Monday, a day earlier than the meetings of the American Bankers' Association have heretofore convened. I desire to congratulate the section upon the splendid attendance that we have this morning, notwithstanding the fact that many of our delegates have not yet arrived owing to the lateness of trains.

Report of the Executive Committee.

Denver, Colo., September 28, 1908.

To the Members of the Savings Bank Section, American Bankers' Association:

Gentlemen:—Your Executive Committee begs to report briefly upon its work for the year just closed.

During the year the committee has held four meetings; two at Atlantic City, N. J., on September 4, 1908, and another since our arrival in Denver in order to present our request for an appropriation to the finance committee of the general association which meets this morning. These meetings have been interesting and well attended.

Following out the instructions given at the last convention, the subject of a separate day for our meeting at the annual convention was taken up at the spring meeting of your committee and conference was held with the Trust Company Section Committee with the result that for the first time we are to-day testing the experiment of having a day for our section meeting and the meeting a day earlier. At the same time the committee on revision of the constitution presented several amendments which were approved by the Executive Committee.

We are pleased that our counsel, Mr. Paton, has been appointed general counsel of the American Bankers' Association. We shall continue to have the benefit of his advice.

We regret that through illness we were deprived of the presence of Mr. H. B. Chapman at our meeting. We are pleased to announce his recovery.

At the meeting in May a committee was appointed to forward the sympathy of the section upon the death of Mr. Tong, our vice-president for Indiana.

Appropriations amounting to \$4,500 were granted by the general association for the year, while our total expenses are somewhat in excess of this amount, as shown by the report of the secretary.

The accounts of the secretary have been audited by Mr. Burns, who was appointed to that task at the Lakewood meeting.

By invitation of the Committee on Postal Savings Banks, your chairman has attended several important meetings of this committee.

Our membership shows a substantial growth. Many banks already having savings departments and memberships in the general association have requested enrollment in our section. Membership, September, 1907, was 1,224, while to-day it is 1,550. A comparison will impress the importance of the section. In 1895 the general association had rounded out 20 years of the history, its membership was just about the same as that of this section at the present time, while its income was about one-half of the amount of annual dues paid by the present members of the Savings Bank Section.

Respectfully submitted,

WM. R. CREER,
Chairman Executive Committee.

President Teter: We will next listen to the report of our Secretary, Mr. Hanhart.

Report of Secretary.

New York, September 28, 1908.

To the President and Members of the Savings Bank Section of the American Bankers' Association:

Gentlemen:—The membership of the Savings Bank Section on the 1st of September aggregate 1,523 as against 1,224 at the date of our last convention; a considerable portion of this large increase in membership (greater than in any previous year) is due to the enrollment of many State and national banks and trust companies, already members of the general association, who have large and flourishing savings departments, and are keenly and directly interested in our work; indeed the savings business of some of these banks is larger than their commercial business.

The following figures of membership at our several conventions may prove of interest:

New Orleans, November 11, 1902.....	500
San Francisco, October 20, 1903.....	548
New York, September 13, 1904.....	610
Washington, October 10, 1905.....	734
St. Louis, October 16, 1906.....	1,033
Atlantic City, September 24, 1907.....	1,224
Denver, September 28, 1908.....	1,523

Since the first of this month we have enrolled 23 members, making our total membership 1,546 to date.

Appropriations amounting to \$4,500 were made during the year by the executive council of the association, and the following were

our expenditures during the fiscal year from August 31, 1907, to September 1, 1908:

Printing and stationery.....	\$216.41
Postage	184.00
Stenography and typewriting.....	606.00
Rent	350.00
Expenses, Executive Committee.....	393.54
" Auditing Committee.....	97.00
" Postal Savings Committee.....	339.93
Convention expenses	214.30
Salary of secretary.....	1,200.00
Book of proceedings.....	927.34
Counsel's fee	100.00
Sundries	\$9.35
Total	\$4,977.87

With our present membership of over 1,500, we will have to be prepared to meet a somewhat increased scale of expenses; the expense for salary and rent require no increase, but the items of printing, postage, etc., will necessarily be larger; great care and rigid economy are enforced to keep our expenditures at the lowest possible point.

As usual, all expenses were approved and studied by the Executive Committee, and a special committee audited the financial accounts of the secretary.

The book of printed forms has continued in some demand, and 618 copies have been sold so far, the net total cost of the work has been to date

Receipts from sale

Leaving a net balance of.....\$1,481.75 which is being used for the benefit of the association, under orders from the Executive Committee; there are on hand 82 bound books and 100 unbound books. Respectfully submitted,

WM. HANHART,
Secretary.

President Teter: We will now have the report of the Committee on Uniform Laws.

Mr. Cook, of Kansas City, Mo.: Mr. Johnston asked me to say that a slight amendment or correction was now being made in the report, and is being transcribed downstairs by a stenographer, and he desires that the reading of the report be deferred for a few moments.

President Teter: Very well; we will receive that later. I will now call for the report of the Committee on Audit.

Mr. Robinson, of Baltimore, Md.: Mr. President and Members of the Savings Bank Section. I beg leave to submit the following report:

Report of Committee on Auditing.

Baltimore, September 1, 1908.

To the President and Members of the Savings Bank Section of the American Bankers' Association:

The Committee on Savings Banks' Auditing owes its existence to a word of exhortation from our honored ex-President, Mr. Edward E. Duff, who, at our St. Louis meeting in October, 1906, urged the Savings Bank Section to take steps towards placing greater safeguards about those who have the custody of the savings of the people.

The trustees and officers of savings institutions are not properly discharging their trusts unless they are alert in seeking to raise the standards of banking ethics among their employees, as well as to install correct methods of accounting for the purpose of preventing irregularities in the routine work of their banks. Savings bank men must be educated to appreciate the high privilege of their calling and to sympathize with any measures designed to shield them from the dangers of loose and careless bookkeeping. During the past few years the public conscience has been stimulated to an unusual degree; trusteeship has taken on new responsibility; much has been placed in our hands and much shall be required of us. Your committee has approached its work thoroughly aware of the difficulties in the way because of varying conditions encountered, yet hoping that through its investigations some forward steps might be suggested to our members, many of whom are earnestly asking this committee to advise them how their work may best be done. Last year we sent a series of eight questions to about 100 representative savings banks in different sections of this country; the replies received indicated such a deep interest in the subjects discussed that the convention directed the committee to continue its labors and to report to the 1908 meeting. This year we sent a list of 22 questions, all bearing upon accounting methods, to every member of this section, and 590 responses have been received. These replies have been tabulated and we have tried to gather up the results.

METHOD OF POSTING.

We find that the old method of posting from cash book or blotters has been largely superseded by posting direct from deposit ticket or withdrawal receipt. We were interested to learn that 80 per cent. of the larger banks have found the new method desirable, and we are glad that so many of the younger banks have made a right start, for 60 per cent. of those having less than 2,000 accounts were using the modern method. Many banks compare the passbook with the ledger whenever a transaction occurs and some post direct from passbook to ledger—about 25 per cent. of all the banks record the old and new balances for proving correctness of the posting. This is a highly desirable practice which we cordially commend. Further allusion to this subject is made under the heading "Adding Machines."

We find that interest postings receive the same diligent care accorded to counter transactions. The coupon system of posting and proving alluded to in our report last year seems to be gaining ground and we repeat our view then expressed that this system may be adopted with advantage by all savings banks having over 2,500 accounts and where more than two clerks are employed.

FORM OF INDIVIDUAL LEDGER.

The day of the old-fashioned bound ledger seems to be passing; one-half of the larger banks (from 5,000 accounts and upwards) use the card ledger; the loose leaf is used by more than 50 per cent. of

the smaller banks—while the bound book is used only by 123 out of nearly 600 banks.

Notwithstanding the foregoing, your committee is somewhat divided on the subject, the majority being in favor of loose leaves or cards (cards preferably) for any and all accounts to which they may be put, while the minority does not favor use of the loose leaves or cards for depositors' ledger accounts, nor for general ledger accounts, believing that greater freedom from the danger of falsifying accounts is obtained by the use of bound ledgers for such. The minority does approve of the use of either cards or loose leaf books for other records. With this explanation your committee is disposed to favor the card ledger, but the situation in each individual bank must determine this question. In the matter of counter space it is claimed that the card system occupies much less room. Our information as to the danger of misplacing ledger cards leads us to believe that in practice this annoyance is seldom encountered. A colored slip of cardboard is sometimes inserted in the place of cards when removed for posting, making it easy to replace correctly. Some ledger cards have the final digit of card number so placed that inaccuracies in filing are almost impossible.

BALANCE AND INTEREST COLUMNS.

Nearly all the banks heard from use the balance column in their individual ledgers. Many use a separate column for interest or dividends. We commend the use of the balance column, as well as the practice of many banks in posting interest in the balance column in red ink.

CARD SYSTEMS FOR SIGNATURES, ETC., ETC.

We find the card system extensively used for registering signatures and pedigrees, alphabetical name indexes, fire insurance records, mortgages, investment registers, dormant account searches, etc.—for these uses cards seem especially adapted—they are easily handled, compact, and all represent live, active matter.

The alphabetical name indexes in some banks carry the active and closed accounts together. We think it desirable to extract the closed account cards and file them in a separate cabinet. If when accounts are opened and closed the index cards are dated, they carry enough information oftentimes to avoid trouble in looking up the old ledger accounts. Dead signature cards are filed with final payment, or placed in special cabinet in correct numerical order or according to date of closing.

We like the practice of some banks in using "stop cards" to take the place of signature cards of those accounts which for special reasons should be referred to the officers if payment is demanded, the original signature card being filed in a special drawer. This obviates the danger of making payments on lost books, attached accounts, etc.

ADDING MACHINES.

Eighty-five per cent. of banks reporting use of the adding machine for various purposes (54 banks having between 10,000 and 20,000 accounts only four do not use the machine). The smaller banks seem to use them as liberally as the larger ones. No other single agency contributes so much towards facility in taking off trial balances. Many banks using card ledgers employ adding machines in taking off balances before and after transactions, proving the correctness in the day's transactions absolutely. This method is also feasible in certain loose leaf systems which have been brought to our notice. Primarily these machines are used for trial balance work, but many other uses quickly suggest themselves until they become an invaluable adjunct in the work of the bank.

TRIAL BALANCES.

Our inquiries under this head were framed so as to learn how often a complete and actual trial balance was taken and how much time was required to do the work. It is highly gratifying to learn that in most institutions this subject receives the careful attention it deserves. It is safe to assert that if the trial balances are surrounded with adequate safeguards—if they are frequent enough and if absolute and unvarying accuracy is insisted upon—there can be very few irregularities possible. In large institutions the balancing of ledgers should be shifted among the clerks so that no one shall receive the same ledger to balance two years in succession. The general totals should be kept by one of the officers or chief clerk and the ledger clerks should not have access to these figures. We have found that a third of those banks having less than 10,000 accounts take off their trial balances monthly. Nearly one-half of the larger banks take them off semi-annually and one-third of all the banks take them off at odd times. We approve of this latter method if it is employed in connection with the regular balancing which is usually coincident with the interest periods. One institution takes off its trial balances every six months, immediately after interest is credited, and at irregular intervals outside auditors are employed to take a balance at some odd season. Of course, these examiners come in unexpectedly to the clerks of the bank. A large force with several adding machines can complete the work in a very short time in even our largest banks and the regular work is but slightly interfered with. It is highly important that the work of balancing the ledgers should be compressed into the least possible time. This is difficult because of the strain of work at interest periods, and yet it is gratifying to report that 60 per cent. of the banks complete this important work in less than a week; 10 per cent. do the work in from one to three weeks; the rest of those reporting can give us no reliable data. We, of course, realize that often a stubborn error will elude the vigilance of the bookkeeper for weeks, but no bank officer should allow an error of any amount to remain unfound indefinitely, but a period should be set within which all errors must be located.

We also find that many of the banks divide their ledgers into several sections to facilitate the work of balancing—this makes the counter work a little more complicated but yields ample fruits for the extra labor involved.

INTEREST PERIODS.

The practice of allowing interest semi-annually is followed by more than 80 per cent. of the banks. A small number pay interest quarterly, while a few of the larger banks still adhere to the annual period. Over half the banks pay interest upon the monthly balances, but most of the large Eastern banks pay upon a quarterly basis—in some the semi-annual balance is used as the basis of reckoning.

Nearly three-fourths of all the banks allow interest from the first of the month upon deposits made during the first few days of the month. A few still adhere rigidly to the old rule that interest commences on the first of the month following the deposit.

NOTICE FOR THE WITHDRAWAL OF DEPOSITS.

Nearly all the banks are protected by their charter provision in the matter of requiring notice for payments if desired. During the past year this privilege was largely availed of, though many banks report, with a show of some pride, that they have never found this step necessary. Many of the large banks in the East required notice, not because of their individual needs, but because the general commercial and banking conditions demanded that the savings institutions conserve their cash resources and thus protect those commercial banks with whom they carried balances. If these large concerns had yielded to the clamor of their depositors for currency, the situation would have been strained to the breaking point. Their action is now commended almost universally. It is wise in the opinion of this committee that every savings bank should have the right to require 60 or 90 days' notice for the withdrawal of deposits in order to protect itself from losses resulting from forced selling of securities during time of general financial stress, as well as to protect the depositors themselves from the dangers of carrying cash on their persons, or from storing it in unsafe places in their homes. But no solvent savings bank should make use of this defence if it alone is singled out and its integrity assailed in times of general prosperity.

It is interesting to learn that the general practice of the banks is not to impose any penalty upon those depositors who do not draw their balances according to notice given. Forfeiture of interest is exacted by only a few institutions, although heavy losses may have been entailed in the sale of securities to meet prospective demands. The attitude of the savings banks towards their panic-stricken depositors seems to be one of tolerance, although the burden may be placed upon the larger number of depositors who do not lose their heads.

INDEPENDENT PROOF OF INCOME.

This is one of the most interesting and important topics taken up by the committee—the supposed difficulties in the way of proving the accuracy of income received lead most banks to abandon it as impracticable. Only 22 banks out of nearly 600 have a system which safeguards their interest receipts. In most savings banks investments and loans are largely stable. It would be but a slight task for one of the officers to review the receipts of a given period—say, monthly—or to charge the treasurer with the income expected during a future period. Changes in investments or loans can be easily adjusted. This matter was treated in some detail in our report last year, and we earnestly commend this subject to the thoughtful consideration of our members. The officer receiving the income of a bank should insist upon some method of having his accounts reviewed. The resultant satisfaction of the officers higher up and of the trustees will be sufficient compensation for the added work.

One of the largest institutions in the East deems the matter of such moment as to maintain a separate auditing department in which practically a duplicate set of general books is kept and an unflinching check is thus maintained on their income receipts.

AMORTIZATION.

This is a subject to which many of our banks have given little attention. Less than 5 per cent. of the banks practice scientific amortization; about the same number roughly charge down the premium annually, while the large majority charge off the entire amount at time of purchase. Some State laws provide for statements based upon amortized values, but banks may keep their books according to the old method of par and market values. We strongly urge all banks to charge their securities down so that at maturity at least they shall appear on their books at par. One bank reported that all bonds maturing within ten years are carried at par. Certainly no bank should value its securities in such a way as to make the income yield appear greater than it actually is. The friends of scientific amortization are making progress, and this subject will demand increasing attention.

PUBLIC AUDIT.

One-fifth of the banks responding employ outside auditors, but only 37 publish the results of these audits. We feel that savings banks offer a valuable field for the energies of the public accountant, and if the matter is intelligently and tactfully brought to the attention of bank officers we believe the practice of public audits would become more general. One insuperable obstacle seems to be that all of the passbooks cannot be verified. A large Eastern bank overcomes this difficulty in a measure by employing extra clerks having no connection with the regular staff to make interest entries on passbooks as presented. These men compare the passbook balances and report any discrepancies to the officers. During the period of their employment, which lasts about six weeks, they verify about one-third of the total number of passbooks. Any book which may have been manipulated is, of course, liable to be presented. The method seems to be at least a partial solution of the vexing problem. Many banks under State supervision and examination feel that they are adequately protected, but not infrequently they are forcibly reminded that such examinations afford but meagre defence.

CONCLUSION.

There are many excellent practices in use by various banks which suit their peculiar needs but which are not susceptible of general adoption. Much careful thought is being given by savings bank men everywhere to simplify their work and to reduce liability to error. All of these matters cannot be alluded to here, nor can we find space to record many valuable suggestions capable of wide application.

We feel grateful for the considerate treatment accorded to our inquiries, for we realize that it is no easy matter to answer satisfactorily, within a brief compass, some of the questions upon which we sought information.

We must admit again, as we reported last year, that we have only touched the subject of auditing in a superficial way, and the few suggestions we have thrown out may be of little use to many, but

if only a few of our members are helped the labors of your committee will not have been in vain.

Respectfully submitted,

EDWARD L. ROBINSON, Chairman,
JOHN C. GRISWOLD,
FREDERICK W. JACKSON,
WM. HANHART, Secretary,

Committee.

Mr. Hass, of Denver, Col.: Mr. President, I move that the report of the Committee on Audit be received with the thanks of this section, and that the committee be continued for another year.

Mr. Flynn, of Troy, N. Y.: I second the motion.

President Teter: All in favor of receiving the report with the thanks of the section and continuing the committee will signify it by saying Aye; opposed, No.

Carried.

Mr. Smith, of Chicago, Ill.: I rise for information, Mr. President. Is this report to be printed so that it may be in the hands of the members?

President Teter: Yes, sir. I was about to say that as this report is a rather technical one, and at the same time a very valuable one, it will be published at length in our proceedings. I would also say that on account of the very strenuous work of our Secretary a large part of these various reports are already in print. We hope to have the annual proceedings in the hands of members this year not later than the 1st of November.

Next in order will be the report of the Committee on Revision of the Constitution.

Mr. P. C. Kauffman, of Tacoma, Wash.: Mr. President and Gentlemen, your committee found that there were several provisions of our constitution that were inconsistent with the provisions of the Constitution of the American Bankers' Association, and therefore it was deemed advisable to make some amendments to our Constitution and By-Laws so as to make them conform to those of the parent association. There is no constitutional provision whereby our constitution can be amended. I suppose, however, that under strict Parliamentary law, this body has ample power to make such changes as are necessary.

We have this morning added a special section to our report as printed, namely, providing for the appointment of a committee on nominations a year in advance. That is Section 9.

Now, our report is as follows:

Report of Committee on Revision of the Constitution.

Tacoma, Washington, August 10, 1908.

Savings Bank Section, American Bankers' Association:

Gentlemen: We hereby recommend the following amendments to the Constitution and By-Laws:

Strike out Sec. 2 entirely.

Re-number the sections up to the present Sec. 6, making Sec. 6 Sec. 5.

Strike out Sec. 7 entirely, and insert as a new Sec. 6, the following:

"Sec. 6. The President and Vice-President of the section shall be members ex-officio of the Executive Committee, and ex-Presidents if still members of the Association shall also be members ex-officio for three years after expiration of their term of office.

Add Sec. 8 under a new number Sec. 7.

The Constitution and By-Laws as amended will then read as follows:

CONSTITUTION AND BY-LAWS SAVINGS BANK SECTION.

Section 1. The administration of the affairs of this section shall be vested in a President and First Vice-President of the section and an Executive Committee of nine members, who shall serve until their successors are chosen or appointed.

Sec. 2. No President nor Vice-President nor retiring members of the Executive Committee shall be eligible for re-election for a period of one year after the expiration of his term of office.

Sec. 3. The Executive Committee shall select its own Chairman from among its members, and shall also select a Secretary of the section, who may or may not be a member of the section.

Sec. 4. The Executive Committee shall, as soon as may be after their organization, divide themselves by ballot into three classes of equal number designated as the first, second and third class, of which the first class shall remain in office one year, the second class two years and the third class three years, and at each annual election members of the Executive Committee shall be elected for a term of three years to fill the vacancies of the retiring class.

Sec. 5. The Executive Committee shall have power to fill vacancies until the next annual meeting and may adopt all necessary rules for the business of the section.

Sec. 6. The President and Vice-President of the section shall be members ex-officio of the Executive Committee, and ex-Presidents, if still members of the Association, shall also be members ex-officio for three years after expiration of their term of office.

Sec. 7. The President, First Vice-President and Chairman of the Executive Committee shall represent the section in the Executive Council of the Association.

Sec. 8. Each State having not less than five savings institutions, members of the American Bankers' Association, shall be entitled to a Vice-President of the section; such Vice-Presidents to act generally in an advisory capacity to the Executive, but not to be entitled to vote.

Sec. 9. A Committee on Nominations shall be appointed every year at the close of the convention meeting, to serve for the following year.

Respectfully submitted,

P. C. KAUFFMAN, Chairman.

Mr. Dinkins, of New Orleans, La.: I move the adoption of the report.

Mr. Breckinridge Jones, of St. Louis, Mo.: There is one clause of the report that it seems to me ought not to be

adopted, and that is the one referring to the proposed appointment of a committee a year in advance to nominate officers. Now, it is a matter of history in the American Bankers' Association that so long as there was a coterie of men who provided for the selection of officers in advance the American Bankers' Association did not prosper. It took twenty years to develop the membership of the American Bankers' Association. I remember very well the fight over the election of officers in the Association at the meeting held in Detroit, and the struggle that was had to overturn the coterie of men that had been providing for the succession of themselves and their friends in the directorate of the Association for years, and when that was accomplished and those men were overturned then the American Bankers' Association began to develop. I believe that if the clause here provided for is adopted and a Committee on Nominations is appointed this year to suggest the names of officers for next year it will be within the power of the committee to provide for the succession of themselves and their friends and the dominion of the Section, and it will result in the same situation that faced the American Bankers' Association at the time I speak of. I believe it is unwise, and I believe that this body will best subserve its own interests if the nomination of officers is left to the initiative of all the members in open session. I feel more free to make this suggestion, gentlemen, because I have never been and never expect to be and never would be an officer of this Section, but I represent an institution that is a member here, and I feel that this is a matter of sufficient importance for us to pause and be wise at least.

Mr. Edens, of Chicago, Ill.: A motion has been made, as I understand it, to accept the report. Does the acceptance of the report itself change the Constitution, or does the discussion of such points as this come up later?

President Teter: It is the acceptance of the report of the committee that is before us now; that is all. And, if I have the permission of the gentleman who made the motion to say a word at this point, I think I can say something that will probably straighten this matter out and will also cover the point that Mr. Jones has raised. In our present Constitution there is nothing that tells us how we are to amend or revise it. Now, in the absence of anything in the Constitution about that I would rule that we should follow the same plan that is provided in the Constitution of the American Bankers' Association, namely, that in amending the Constitution notice must be given to members before the Convention. Now that has not been done in this case. You have to-day for the first time a new Constitution of the Section proposed. You have heard from Mr. Jones an objection to one clause of the Constitution. There may be other objections to it. Therefore, with your consent, I would rule that we simply receive this report to-day, have it printed in our proceedings, and bring it up in regular order for final consideration at the next convention, and then we can act upon it wisely after full consideration.

Mr. Edens, of Chicago, Ill.: I believe the majority of the gentlemen here from Illinois will agree with me in the statement that some of the members of the committee that it is proposed to appoint might decide to remain away from the next convention, and then the members in attendance at the meeting would be helpless to do anything. Now, sir, I submit that this Section is perfectly competent to select its own officers. I would like to see this report returned to the committee with instructions to strike out this clause to which objection has been made.

President Teter: I am ruling that the discussion before us now is on the report of the committee and not upon the adoption of the Constitution.

Mr. Kauffman: At the meeting of the Executive Committee at Lakewood your Committee reported the revision that we have just read with the single exception of this one clause. That clause was not suggested at that time, but was suggested by a number of members of our body in letters received since we arrived here. It was not contained in our original report nor were we particularly anxious to present it, but we did so at the request, as I say, of several members. Of course, if that is deemed objectionable by the majority of the members here present it can be eliminated.

Mr. Creer: I would move as an amendment to the motion before the house that the report be received and printed in the proceedings and action thereon deferred until the next annual convention.

Mr. Dinkins: I will withdraw the motion that I made and second the one now made by the gentleman from Cleveland.

Mr. Jones: Voicing the suggestion of the gentleman from Illinois, I move that the clause as to the appointment of a nominating committee be eliminated from the report of this committee.

President Teter: The chair must hold that it is impossible to eliminate anything from a report of a committee.

Mr. Creer: I submit that the report of a committee is the property of the body appointing the committee, and therefore that this body can do what it pleases with the report.

President Teter: The chair rules, unless he is overruled, that this Section should first receive the report and then if it is wished to change any feature of it a separate motion to that effect must be made.

Mr. Jones: Then, sir, I move as a substitute for everything that is before the house at the present moment that the report

of the committee be referred back to the committee with instructions to eliminate therefrom the clause in question.

President Teter: That motion the chair rules is in order. Is it seconded?

Mr. Creer: I will second it.

President Teter: All in favor of the motion made by the gentleman from Missouri that the report be referred back to the committee with instructions to the committee to eliminate from it the clause relating to the appointment of a Nominating Committee will signify it by saying Aye; opposed, No.

Carried.

President Teter: We will now listen to the report of the Committee on Uniform Laws:

Mr. John H. Johnson, of Michigan: Mr. President and Gentlemen. The report is as follows:

Report of Committee on Uniform Laws.

Denver, Colo., September 28, 1908.

To the Members of the Savings Banks Section:

Gentlemen: Our Committee on Uniform Savings Banks Laws can only report progress, as we find the more we investigate the proposition before us, the larger, the more important and the more necessary our task appears.

Our first step was to ascertain existing conditions in the different States by obtaining copies of the banking laws of those States or of the general laws or special charters under which the banks were operated.

In the use of the word "banks," we refer primarily to savings banks, but indirectly to any bank that operates a savings department.

In the brief time at our command we attempted to review the different laws, but after a careful study of the situation concluded that it required first of all a trained legal mind, which brings us to the point that the recent action of the Executive Council in providing our association with the general counsel, affords us the very best possible agency. Briefly, we are convinced that one of the most important tasks and most splendid opportunities given the association is through this very subject, and we would consequently ask that the preliminary work started by our committee be continued, and, further, that this section ask that our counsel, Mr. Paton, be added to that committee, and that they proceed at once to the drafting of what might be termed a skeleton outline of a savings bank law, this outline to embrace the cardinal features desired, namely: Articles of Association, Corporate Powers, Management, Banking Department, Deposits, Reserve, Limit of Loans and Investments, Liability of Stockholders, Use of the words Bank, Banker or Savings, Earnings, Surplus and Dividends, and Provisions for Amendments, Supplementing or Repeal.

Your committee realizes that for the moment at least it is impossible to draft a uniform law, such as the Negotiable Instruments Law, that could be enacted in the various States, yet feels that instead, our purposes will be more quickly served and the desired results brought about by adopting a standard and then bringing the different States up to that standard in the requirement or requirements in which they may be lacking. For example: one State may have adequate laws, quite up to our ideas, and yet not have a proper banking department and supervision; another may have all the desired features and yet have no restrictions as to investments, and so on.

We know that the realization of this much to be desired result is likely to be rather a tedious task, yet if persisted in, it will ultimately result in the establishment, not only of uniform State and savings laws, but possibly a universal system of savings banks, respected and trusted alike, from Maine to California.

Later it may be desirable to bring these under one general head, such as now governs the national system, but without in any way curtailing or interfering with the rights of the respective States to legislate for themselves. This is a suggestion only, yet worthy of serious thought.

Respectfully submitted,

J. H. JOHNSON,
D. V. WEBSTER,
ADRIAN LYON.

Accentuating this statement, I have in hand a letter received from a gentleman representing one of the oldest States in the Union, in which he says:

"We have no general savings bank laws in our State, no organized banking department. Sadly lacking indeed."

I think that tells its own story.

Mr. Dinkins: I move the adoption of the report.

Mr. Collins, of Detroit, Mich.: I second the motion.

President Teter: All in favor of the motion that the report be received and adopted will signify it by saying Aye; opposed, No.

Carried.

President Teter: An address will now be read by Mr. Frederick C. Nichols, of Fitchburg, Mass. This is a paper prepared by Hon. Pierre Jay, Bank Commissioner of Massachusetts, who was unable to come, and he requested Mr. Nichols to read his paper.

The Proper Treatment of Savings Deposits When Taken by State Banks and Trust Companies.

[Mr. Jay's paper in full will be found on pages 162 to 163 of this publication.]

President Teter: We will next listen to an address by Mr. John C. Griswold, Secretary of the Excelsior Savings Bank of New York City, on "The Effect of the Recent Panic on Eastern Mutual Savings Banks."

The Effect of the Recent Panic on Eastern Mutual Savings Banks.

[Mr. Griswold's paper in full is given on pages 163 to 164 of this publication.]

Mr. Kauffman: Mr. President, the Committee on the Revision

of the Constitution is ready to report on the matter, which was recommitted to us.

President Teter: Gentlemen, give your attention to the report of the Committee on Revision of the Constitution.

Mr. Kauffman: The committee reports eliminating Section 9, to which objection was made, and adding the section providing for amendment, to which we give the number 10. Therefore, without reading the report in full, I will state that our report is practically the report that we made before with the exception that we have stricken out Section 9, to which objection was made.

Mr. Jones: The Chair having ruled, as I understand it, that the consideration of this report cannot be had at this meeting, but must go over to the next meeting, I now move that the report of the committee be received.

President Teter: The Chair does not desire to be understood as being arbitrary about this at all. If the convention wishes to act upon this report now the Chair has no objection.

Mr. Jones: Then, sir, I move that the report be received and the committee discharged with thanks.

Mr. Rhodes, of New York City: I second the motion.

President Teter: All in favor of the motion will say Aye; opposed, No.

Carried.

President Teter: Before we adjourn for luncheon I desire to announce that the Committee on Nominations will meet on this platform immediately upon adjournment, and they request that all members who have suggestions to make are invited to present them; they would particularly like to hear from gentlemen representing different States.

An adjournment will now be taken until two o'clock.

Adjourned until 2 P. M.

AFTERNOON SESSION.

President Teter: As there are matters that will likely occasion discussion this afternoon the chair would announce that the usual rule will be followed limiting speakers to five minutes each.

Mr. Harvey, of Huntington, W. Va.: Mr. President, I think this Postal Savings Bank business is a matter of such extreme importance that it should be fully discussed without any limit of time on the speakers.

President Teter: If any speaker exceeds five minutes a motion will be entertained to extend his time.

The report of the Committee on Postal Savings Banks will now be presented by Governor Herrick.

Report of Committee on Postal Savings Banks.

Denver, September 25th, 1908.

To the President and Members of the Savings Bank Section:

1. It is our opinion that unless imperatively demanded by public needs the functions of the United States Government should not be extended to the spheres more properly occupied by State governments, or by corporate or individual effort.

2. The savings systems of the majority of the States, with the modern facilities for transacting business by mail, are adequate to the needs of the people, and the safeguarding of their deposits. It is evidenced by the record of this Association that it is the constant endeavor of the banking fraternity to improve these conditions in the remaining States.

3. Although, in our opinion, no great detriment will result to the existing savings bank system from the establishment of postal savings depositaries inasmuch as the present facilities are superior to any that could be afforded by the Government, or to those of the countries where postal savings banks now exist, yet the previous experiences of the United States Government in conducting banking institutions, and notably in connection with the Freedmen's Savings & Trust Company, do not encourage us to believe that the proposed postal savings system would be managed more wisely or with better success than the existing savings institutions.

4. We think it preferable to educate the newly arrived foreigner to American methods rather than to accommodate our methods to his inexperience.

5. We point with pride to the record of the savings institutions of the United States. While the figures for 1907 are not yet available, during the year 1906 the aggregate net loss to depositors was the trivial sum of \$120,000, being three-tenths of one per cent. on a total of three billion five hundred million dollars in savings deposits, whereas, the proposed Government rate of two per cent. would have deprived the depositors of at least fifty million dollars in interest in the same year.

6. We submit that our savings institutions have performed a great service throughout the United States in the developing of the country. A large proportion of the deposits in these institutions is invested in first mortgages to build homes and in municipal bonds, all of which investments have greatly assisted in the up-building of the various communities.

7. We hold that the history of the financial institutions of the United States demonstrates that in safety and in adaptability these institutions are developing as the country develops, through a process of evolution, and that the record of the past is a sufficient guarantee for the future that our present banking facilities will steadily grow to meet all the requirements of the country.

8. While we believe the basic objections we have urged against a Postal Savings System are unanswerable, we further submit that the bills now pending in Congress for the creation of that system should not be enacted into law, because specifically wrong in the following particulars, to which many others could be added.

A. The exemption of deposits from legal process is vicious, as it would provide a depository for funds of the dishonest and the

fraudulent, where they could place their money, draw interest on it, and be free from attachment, which would prove a serious menace to the business interests of the country.

B. In the use made by the Government of the funds coming into its possession through the postal savings depositaries, the provisions of the bills do not assure a wide and equitable distribution of the funds deposited nor prevent the centralization of the people's money, which belong to and should be retained in their respective communities.

C. No provision being made for a time notice for withdrawals, the Government might at times be seriously embarrassed, to the great detriment of the general business interests of the people.

Respectfully submitted,

P. LE ROY HARWOOD,
MYRON T. HERRICK,
C. LA RUE MUNSON,
FRANCIS R. MORISON,

CHARLES E. SPRAGUE,
LUCIUS TETER,
Committee.
WM. HANHART,
Secretary.

Mr. Herrick: Having read the report I desire to offer the following resolution:

That this report be received and placed on file, and the committee continued, as there is still further work for the committee to perform.

Mr. Latimer, of New York: I second the motion made by Governor Herrick.

President Teter: Gentlemen, you have heard the motion that the report be received and placed on file and the committee continued. Is there any discussion of it? If not, the question will be put. All in favor of the motion will signify it by saying Aye; those opposed, No.

Carried.

Mr. John Schuette, of Manitowoc, Wis.: Is it in order now to discuss this question? I think both parties ought to be heard.

President Teter: Is it the pleasure of the meeting to accord to the gentleman from Wisconsin five minutes' time?

Mr. Herrick: For my part, I quite agree that the gentleman ought to be heard, although I was about to make this suggestion, namely: the matter is disposed of as far as we are concerned, and it is a question that is going to come before the main meeting of the Association, and will doubtless occasion debate in which everybody will have an opportunity to take part.

President Teter: The Chair will put the question on allowing Mr. Schuette an opportunity to be heard at this time. All in favor of so doing will signify it by saying Aye; opposed, No.

Carried.

President Teter: Mr. Schuette has the floor.

Mr. John Schuette, of Manitowoc, Wis.: Mr. President and Gentlemen of the Section: If the plan that has been proposed is carried out a new bank will be established in every banking town throughout the Union, in all about 18,000 Government postal savings banks, particularly doubling the number now in existence, unless the banks unite to insure their depositors against loss.

The guaranteeing of deposits is the wish of the majority of the people as well as a large proportion of the interior banks. The Republican party has recognized it by promising Postal Savings Banks; the Democratic party, in its platform, provides for the insurance of bank deposits, and if this cannot be attained then it will pass a Postal Savings Bank law.

In spite of these solemn pledges, some influential and powerful financiers assert that we will never have either, but I do not believe that platform pledges can be violated with impunity and the will of the people ignored.

Here, then, is the bankers' alternative, either to insure their depositors or to compete with 18,000 new Government postal savings banks, created with the stroke of a pen, operating simultaneously all over the country.

Every one agrees that these Government banks, considered the safest, would be the strongest competition imaginable. They would, after once being established, remain forever, and such a situation would bring about irretrievable loss, not alone to savings banks but to nearly all banks for all time.

As these Government banks would draw largely the deposits from other banks, the latter would soon be compelled to give their depositors the same measure of safety as the Government offers in order to retain the depositors left to them and to compete for new business.

Why do we not forestall this threatened danger by uniting in urging Congress to pass a Deposit Insurance Act, which would be equitable to the whole people and more satisfactory than the postal savings banks? The latter only insure a class, a limited number, thus not preventing bank runs. If such an act is passed it would exclude the Government from going into the banking business.

It must be admitted that deposit insurance will prevent bank runs, nerve racking and worry, and bring hoarded money into circulation.

The main objections to the proposed plan come from a few large bankers who fear they will lose their advantage over their smaller competitors. Their main argument against it is: That it would encourage reckless banking.

But why? By insuring depositors? The banker's capital, his double liability, and his reputation are not insured, nor is he insured from criminal prosecution in case he does reckless banking. Why, then, should he be more reckless than he is now? I contend that he would be less.

The second objection is that there would be no incentive for the depositor to discriminate between a conservative or honest banker as against a reckless and dishonest banker. This Mr. Fowler answers by saying: "Not one in a thousand knows the inwardness of a bank; it is blind faith." To this I can testify.

When in selecting our Chicago reserve bank, I used the utmost caution to choose what was considered the safest and strongest fiduciary institution in the city, namely, the National Bank of Illinois, but in spite of my caution it failed about eleven years ago and I was caught.

The third objection is that it would savor of paternalism or socialism. In reply I would like to know why? It would be more so than the Government now exercises over railroads and other interests, which supervision is admittedly in the public interest. This would apply if the Government established postal savings banks, but not by regulating banks.

Mr. J. B. Forgan, the most indefatigable objector to deposit insurance, I believe was the leading spirit to induce the Clearing House banks to apply this very plan, by assessing all these banks, to pay the depositors in the failed Walsh banks, in exchange for the assets. This action averted a general panic. Why not apply the same remedy to the whole banking system?

All bills and other proposed remedies increasing liability or promising better supervision, stricter laws and enforcement and more publicity will avail nothing. As Comptroller Eckels says: "No system, no matter how elastic, or volume however large, can offer relief as long as confidence is disturbed, and credit wanting, money hoarding will go on, and additional issues but add to the hoarding."

The people want security for their deposits the same as the Government demands for its deposits. Why not give it to them? Or will you let the Government take our deposits and guarantee them?

Mr. Herrick: Mr. President and Gentlemen, I desire to offer the following:

Whereas, This savings bank section of the American Bankers' Association represents the savings of the people of the United States, and

Whereas, The record of these banks for conservatism, stability and unselfish devotion to the interests of their depositors, is unparalleled in any country in the world, and

Whereas, The loss to their depositors has been so small as to be absolutely a negligible quantity,

Therefore be it resolved, That inasmuch as any plan for a scheme to make each of these banks responsible by taxation or assessment for the acts of one another or to connect them with the national banking system is economically unsound in principle, confiscatory in form and inimical to the best interests of its depositors, stockholders and borrowers, it would discourage individual initiative, the best products of the American mind, it is a specious form of paternalism and socialism, it would tend to encourage speculation and an undue expansion of credit;

Therefore, be it resolved, That we enter the most solemn protest against the enactment into law, either by States or by the nation, of any principles so subversive to sound economics and so revolutionary in character.

I move the adoption of this resolution.

Mr. Solomon: I second the adoption of this resolution.

Mr. Herrick: I ask the privilege, Mr. President, now that the resolution has been seconded, of saying a few words on the subject. I think this is a question that interests not only the members of this body, but every man, woman and child in the United States. I believe sincerely in the wording of this resolution. I believe the record of the savings banks of the United States is such as to entitle us to speak in no uncertain terms on so fallacious a proposition as is the one that has given rise to the resolution that I have offered. It is and should be in no sense a question to be settled in a political controversy, but it is a question that should be disposed of after argument and careful consideration so that the sunlight of wisdom may be let in upon it to the end that no one will ever have the temerity to present it to Congress.

Let me call attention to a few practical illustrations of the absurdity and futility of such a law as is proposed. There are in the United States about fourteen billion dollars of deposits; there are in circulation, currency, gold, silver and coin about three billion of dollars; there is probably in the pockets of the people about one billion of dollars; there is held in reserve possibly nearly two billion dollars more; we cannot tell those sums precisely, but in any event there are probably about twelve billions of dollars—represented by what? If you are going to liquidate all the banks to-day and pay fourteen billions of deposits what are you going to pay them with? Three billions of dollars. Where, then, are the other eleven or twelve billions? Where do they originate? I speak to you who are versed in banking, experts on this subject; I submit that all the balance of that sum, eighty-five per cent. of which practically is based on loans and credit. Yet it is proposed to guarantee, to link up every bank in the United States with every other bank, and to guarantee the deposits of this currency, gold, silver and coin. And you guarantee what? Eleven or twelve billions of credit based on loans simply. Think of the absurdity of it. Why, if you are going to guarantee anything, why not go to the origin of it all and guarantee the credit and the loan. That shows the absurdity of the matter. It is like lifting yourself up by your boot strap, or like a snake swallowing his own tail. Take the instance in New York City during the last panic where there were failures to the amount of \$98,000,000. Under the Okla-

homa scheme—for it is a scheme—what would have happened? We would have had an assessment of one per cent. on the deposits of the State of New York, which would have produced \$44,000,000. Would you have had that sum on hand in currency, withdrawn from circulation? Would you have had it in bonds? How would you administer that fund? In addition to that, you would have had to make an assessment of \$48,000,000 on the banks of New York in order to make up the balance. Why, gentlemen, I assert that such action would have precipitated the entire country into ruin and disaster. As it was, the people were on the verge of ruin. And it was all due to the fact that the depositors were frightened—not that they needed the money. What is the result—the effect? It is this, that there is a loss of about \$15,000 that all this fuss was about. Credit is re-established, equilibrium has again asserted itself, and we are all right once more, with the loss of only about \$15,000; to collect \$44,000,000 and then \$48,000,000 more!

Let me cite the case of the Knickerbocker Trust Company in New York City. It failed for about \$50,000,000. Under this Oklahoma plan those depositors did not need the money; it has been so proven, and to pay them the money that they did not need and did not want, under this Oklahoma plan you would have had to make assessments and pay in \$50,000,000. Now, what happened to the Knickerbocker Trust Company. I speak of that because it is a good index of the whole scheme. It was just this: The stockholders got together, the company was in the hands of receivers, and the stockholders, patriotic in their purpose, desired that all of the 17,000 depositors should be paid, and, in order that they might not go to the disaster of final liquidation and the payment of large sums to the receivers, evolved a plan which was to place the stock in the hands of three voting trustees to continue for five years. Those trustees were named, Mr. Ledyard, Mr. Frick and I happened to be the other one. The voting trustees asked the stockholders first, before they would appeal to the depositors, to make good on their side. They agreed to do so; they agreed to pay in two and a half millions of dollars as a guarantee that the stockholders would permit them to open the institution. Very well. Upon that agreement the institution was opened and the time-deferred three per cent. interest, one, two and three years, at intervals of months, when they might have their money; the institution opened, and it has more money to-day on hand than it had when it closed its doors in the panic; it has anticipated the depositors' demand, and it has accomplished one thing that they did not foresee, and that is this: With all of its tremendous assets it was investing that money—where? Throughout the United States. They were accused of being a little rapid and rather optimistic in their investment, but they gave the stockholders the value of their stock; there were enterprises going forward on which they had agreed to loan money all over the country, and this at once resulted in starting up labor in many quarters of the United States and permitting the institution to meet the obligations that it had made.

Now, I maintain that instead of the closing of an institution and then an utter irresponsibility on the part of stockholders, which is a legitimate part of this scheme—I maintain that they have some duties to perform as well as the men who manage an institution and not to permit the vultures to take away without protest the assets of the concern and sell them out at auction, which is a wanton and unnecessary waste. I contend that the records of the banks of the United States clearly assert that such a course is not necessary. Now, it has been said on the other hand: "Oh, well, this may trouble the banker; we are not so much interested, but the depositor must be paid." My friends, you cannot separate the interests of the banker from the interests of the borrower and the depositor. I speak now for an institution which I know more intimately than the others, the mutual bank. Out of all the savings in the United States in these mutual banks there are upwards of three billion dollars; there are seven millions of stockholders; there is not one dollar of stock in those institutions; and those institutions make about four-tenths of one per cent. profit. I speak of our own institution. We have 80,000 depositors and \$50,000,000 of deposits, and our profits on the deposits is four-tenths of one per cent. Where does that money go? It has been used in building up the West. Those old institutions hold the bonds of the towns and villages throughout this whole western country. The municipal bonds is the best security we have. Why, gentlemen, the reason why a municipal bond brings such a high price is because of the billions that are invested in them. I maintain that an assessment of one per cent. or a fraction of a per cent. on those institutions would be felt throughout the whole United States in the increased price of municipal bonds. I tell you, my friends, this is no trifling matter. The depositors of this country have not been demanding anything of this sort. Why? Because their loss has been practically nothing. This has come from the hot-foot battle of politics. Why, I heard of a man at Lincoln the other day who had come up from Oklahoma reading some of the absurd advertisements. One man was advertising for money and had offered eight per cent., and it was said that he was warned by the Governor—Governor Haskell I suppose it must have been—that they would only pay four per cent. So he said, "Very well, I individually will pay the other four per cent. myself." (Laughter.) Then, too, the statement was made that there was a man proposing to start fifteen banks in

Oklahoma, and the authorities looked up his record and found that he had failed once in his own name and once in the name of his wife. Then the Commissioner of Banking in Oklahoma proposed that they would limit the number of banks. So a suit was brought to prevent the location of a bank in Logan County and not to permit any more banks in the county. A decision has just been handed down in that case holding that there was nothing in the law to prevent anybody from starting all the banks they wanted to.

I prophesy that if we take the only examples that we have—the one in New York and the one in Michigan—as an indication of what will happen, that the day will come when that great State of Oklahoma will rue the day that it introduced a system which will encourage speculation and inflation of credit that is bound to redound to its everlasting discomfort and disgrace. I want to repeat one more what I believe to be the crux of the whole situation: This is not money, gold or silver or coin, but it is endorsing a product which originates, in your note where you borrow money of the bank; 86 per cent. of all that we are talking about is based on loans. Think of the absurdity of a man putting his note in a bank for \$1,000 and having it put to his credit and having it guaranteed by all the banks in the United States, and then going off and making himself irresponsible so that he cannot pay the note, but if he could transfer that deposit that is good and the note originates the deposit! Why, it is absurd. I maintain that if you do the one thing you must do the other, and if you do both it shows the absurdity of it. Gentlemen, it is sixteen to one. It is sixteen honest frugal people guaranteeing the success and the hoarding up of some fellow who is improvident and cares nothing for his business. I suppose for a time the structure is strong enough to carry it, but ultimately it must fall because of its absurdity and unsoundness.

Now just permit me a moment on this insurance proposition and about what Mr. Forgan has said, as the gentleman from Wisconsin says. There is a great difference in an insurance company from any scheme of this kind. The insurer does not have to take anything that he does not believe is a good risk—

Mr. Schuette (interposing): Nor the government either. They are precisely on the same level.

Mr. Herrick: Every bank in existence has got to stand the assessment under your plan.

Mr. Schuette: Ah! That is not the point. The examination is the same.

Mr. Herrick: Oh, well, the national banks have to stand it if this law is passed as a national law; and, if it is a law that pertains simply to the States, why, it depends in each State on how they pass the law.

Mr. Schuette: I understand, Governor, your great influence in Congress, and I want to ask you this: Will you promise not to exert your influence against an enabling act and allow me to come in; you can stay out if you want to, but will you oppose such a law—an enabling act?

Mr. Herrick: My friend, I do not believe that the scheme of combination that you have in mind is a good one. For one reason, I do not believe it is a good one because it would be the formation of a banking trust. If you take a number of banks in a community and let them get together and form an organization, as we are obliged to do sometimes in cases of panic, you legalize the establishment of an organization of capital that makes it impossible for the little fellow, a single bank, to exist.

Now about insurance. A reputable life insurance company is not obliged to be responsible for one of these graveyard insurance companies. It is responsible to the assured, that is all; it can select its risks. So a fire insurance company can select its risks. Now, suppose you pass a law getting them all together—

Mr. Schuette: I differ with you entirely. A fire insurance company makes rates. It does not make any difference whether there is a risk or not, the price is the same thing, precisely on the same level. Because each bank, small and large, must have a certain capital, they are examined and they are on precisely the same level; the government examines the small bank as well as the big one.

Mr. Herrick: Why, it is a scheme by which the government is asked to give something for the advantage of one citizen, of one bank, as against another citizen. That is another reason why I oppose it.

I maintain that this is a good thing to discuss because it cannot stand the light of argument for any length of time. We had it out in our State and we have practically got through with it; it began in our legislature last winter, and it has passed on. I am sorry that a question of this kind should have obtained so much root in the minds of the people.

Mr. Herrick: I call for the previous question.

Mr. J. J. Sullivan, of Cleveland, Ohio: I am strongly in favor of the resolution, and I hope when the question is put upon its adoption that it will be adopted by a unanimous vote. Notwithstanding that, I am not in favor of the call for the previous question, and I trust my friend Creer will withdraw his demand for it. We are all bankers and citizens of this great Republic, and this is one of the live questions of the day, and it ought to be fairly, intelligently and fully discussed.

Mr. Creer: My purpose in calling for the previous question is that I believe this discussion is out of order and not germane

to the matter before us, which is the proposed postal savings bank and the report of the committee on that subject, while this discussion has been switched over into a discussion of guaranteeing of bank deposits.

Mr. Herrick: My friend is mistaken. The report of the committee was put in and a motion was made and carried disposing of that report. Now this is a new question that came up in regular order.

Mr. Creer: I do not desire to seem to be at variance with my elders from my own home city whose judgment I respect, but I submit that the question of guaranteeing bank deposits does not come into the realm of the savings bank business.

Mr. Sullivan: I ask my friend Creer if he will withdraw his demand for the previous question?

Mr. Creer: If the Chair thinks that I am in error I am willing to withdraw it.

Mr. Sullivan: Oh, in that event you would have to withdraw it anyway.

President Teter: The Chair would state that the report of the Committee on Postal Savings was read and was passed upon and disposed of, and then under our regular order we were ready for open discussion. Now the Chair rules that Colonel Sullivan is within his parliamentary right in proceeding to discuss the general subject and he has the floor.

Mr. J. M. Dinwiddie, of Cedar Rapids, Iowa: I would like to ask the gentleman who last spoke when this matter of the proposed Postal Savings was disposed of. Some of us over in this part of the hall have not heard of it yet.

Mr. Festus J. Wade, of St. Louis, Mo.: Mr. President, I desire to say on this matter that—

Mr. Sullivan: One moment. The chair has ruled that I have the floor, and I am going to finish what I started out to say and I am not going to be interrupted. (Laughter and applause.) I am disappointed that any banker would on a question of this character demand the previous question with a view to shutting off debate. I am for the broadest possible discussion of this subject, although I say in advance that I am opposed to the general idea of guaranteeing deposits. I believe, as Governor Herrick has said, that it is foreign to the fundamental principles of good government and that it should not be seriously considered by any intelligent people. Now that I have finished what I had in mind to say, I have done.

Mr. Dinwiddie: There are a few of us who gave up the opportunity for a very pleasant outing this afternoon for the sole purpose of listening and taking part in a discussion of this question of Postal Savings Banks—

President Teter: I want to be entirely fair, but I think the gentleman from Iowa is out of order. The question now before the meeting is the resolution offered by Governor Herrick. Is there any further discussion of that resolution?

Mr. Harvey, of Huntington, W. Va.: Yes, I desire to speak to that resolution. I am sorry that I am not a public speaker that I might the more properly give voice to the sentiments that are in my mind—

Mr. Creer: I rise to a point of order.

President Teter: The gentleman will state his point of order.

Mr. Creer: I demanded the previous question for this reason: Governor Herrick read the report of the Committee on Postal Savings and then he followed it up with a resolution and asked that the Committee be continued as he thought there was further work for it to do, and that motion was carried. But there has been no discussion whatever of the question of postal savings banks.

Mr. Herrick: If the gentleman will permit me to make a statement. The Committee presented the report, asked that it be received and filed, and that the committee be continued. Now that was agreed to. Then the Chair asked whether there was any discussion, and one gentleman got up and discussed it—he discussed it out of order, for the matter was already disposed of, but he was permitted to discuss it. Then after he had finished I came forward and presented a resolution on the guarantee of deposits, and that resolution was seconded and is now before the house.

President Teter: The chair desires it clearly understood that there is no objection on his part to having a discussion of the subject of Postal Savings Banks when such a discussion shall be in order, but the question before the house at the present moment is the resolution offered by Governor Herrick.

Mr. Harvey: That is what I rose to speak to, Mr. President.

President Teter: Then, sir, you may proceed.

Mr. Harvey: I am sorry, as I started to remark, that I am not a public speaker so that I could the better make myself intelligible to this audience. There are conditions confronting us, I submit, that we should face in a broad and patriotic manner. Years ago the American Bankers' Association hoisted the idea when it was mentioned by several of us that there ought to be appointed a strong committee to prepare a currency bill for submission to Congress—a measure that the bankers as a whole could endorse, and they dilly-dallied along with the matter until the convention at St. Louis and they then did appoint a committee. What have we to-day in the shape of a currency law? An abortion. The Vreeland-Aldrich bill is worse than no bill at all. The Fowler bill would have been much superior to it. But I am opposed to both measures. I

submit that the American Bankers' Association ought to have gotten together years ago and discussed the matter and framed a bill that the bankers of the entire country could have endorsed, and then we would have had to-day a currency measure that we could live under. Now, gentlemen, there is another condition confronting this country. Public sentiment is demanding it. If you sneer at it, there will come a time when you will regret it. We ought to act and act wisely. We should look at conditions as they are. Surely unless something is done the politicians, who know nothing about financial affairs, will enact a law that will be as bad or worse than the Vreeland-Aldrich bill. Now is the time to act. There should be a strong committee appointed to get up some kind of a bill to lay before Congress that will prevent a bill being passed that we cannot live under. I am not advocating a guarantee of deposits or an insurance of deposits or any particular plan, but I contend that a committee ought to be raised that will devise a plan to take the place of something that we may think important to suit the conditions of the country. There should be some plan to protect depositors. Let us be consistent. The Commonwealths of the country, the municipalities, the counties—the United States Government will not deposit a dollar in the banks there, no matter whose bank it is, unless the banks put up a guarantee that the money will be returned on demand. Why should we protect the biggest depositor, I ask, and not protect the smallest depositor? The little depositor is of more importance to the banks than the big depositor. Why? The little depositor deposits his money in the bank and lets it stay there waiting until he can accumulate sufficient money to enable him to build a home or to start in business. What does the big depositor do? Why, the first thing you know he draws a tremendously big check and you have got to meet it without a moment's warning. You have no opportunity to loan out his money at a profit, while with the little fellow who is leaving his money in your bank until he can accumulate enough to buy a home or to start a business, you have got plenty of chances to loan his money.

Gentlemen, I tell you that unless we do devise some plan to protect the small depositor Congress will surely pass a Postal Savings law of some kind and will open every post office in the United States for the receipt of deposits from small depositors. That will deplete the deposits of the savings banks throughout the entire land. I am speaking more especially of the rural districts. The money that is in the country, in the small towns, is collected in by the banks there and is loaned out to the people in the community; we loan these deposits to help build homes, to help start business enterprises, and that money remains out in circulation. Money, gentlemen, is the blood of commerce, and when you stagnate the circulation of money lethargy ensues and the nation dies. It is the same as if you were to stop the circulation of the blood in your body.

Mr. Festus J. Wade, of Missouri: I rise to a point of order that the gentleman is discussing the Postal savings Bank project and not the resolution before the house.

Mr. Johnston, of Schenectady, N. Y.: The Postal Savings Bank matter involves the question of guaranteeing deposits.

President Teter: Gentlemen, I have been allowing considerable latitude in this discussion, but now I would ask gentlemen to be as brief as possible, inasmuch as you may want to discuss the subject of postal savings later on when that subject may be properly before us.

Mr. Harvey: The only reason I referred to postal savings was to call attention to the fact that unless we adopt something better it will surely come into effect. Now, as I started to say, under that proposed bill all the money taken in by the postoffices must be sent to a depository of the United States in a central reserve city. That would bleed the rural districts of the country of the money that should remain there for circulation in that district. Gentlemen, if you will make some investigation, as I have, you will find that there is a large amount of money that is in hiding. Two or three weeks ago a gentleman came to me and said that his father had \$1,150 locked up in a trunk at home, and he was afraid that his father might be robbed—

President Teter: Is the gentleman now discussing the subject of guaranteeing of bank deposits?

Mr. Harvey: Yes, sir; the insuring of deposits—some plan to insure or guarantee them so that the people will bring out of hiding their money, money that we need for the commerce of this country. I see that gentlemen are getting impatient, and with what I have said I will be content and stop.

Mr. Wade of St. Louis, Mo.: I want to take exception to the statement that has been made that the government in States and municipalities requires in some sense a guarantee of its deposits that the deposit guarantee idea of Oklahoma is intended to be put into action. In one case it is entirely voluntary. You are not obliged to take a government deposit nor a municipal deposit nor a State deposit and give a guarantee. But according to this fallacious notion of the guarantee of deposits, if it becomes the act of the legislature or the act of Congress, you or your institution and your assets are obliged to guarantee my integrity and my solvency and solidity. There is a well defined line of demarkation between being forced to do something by a legislative act and a voluntary act on the part of those conducting financial institutions. In the

guaranteeing of a State deposit you go into it voluntarily, but if you are managing a savings bank and getting your charter from the State of Oklahoma you are not only guaranteeing the depositors that put their money in your institution that your institution is solvent, but you are guaranteeing the solvency of every man, reputable and disreputable, wise and unwise, within the entire confines of that State, that he will return to the depositor the money he has placed therein. Do not let us confuse the proposition with that which is voluntary and that which is intended to be forced upon us as representing financial institutions. In a discussion of the savings bank proposition it is a totally different idea from the guaranteeing of deposits. Confine your debate, if you please, to the question of government savings banks on the one side and this fallacious notion of the guaranteeing of deposits on the other side. Do not let us get confused. If you are in favor of the guaranteeing of deposits why not at the same time pass a law and by the same powers that be that each borrower shall endorse or guarantee the loans of every other borrower? (Applause). Why get off on this guarantee question and confuse it with the other question, which is not a matter at this time that attacks all the financial institutions, whether they be savings banks or national banks or State banks or trust companies?

Mr. Harvey: I desire to say in reply to Mr. Wade that my idea was to appoint a committee that would get up a law that only banks that wanted to insure their deposits could do so—not to force every bank into it.

Mr. Wade: I heard the gentleman say also that the American Bankers' Association had devoted some time to framing a law to relieving the condition that existed last October. I happened to be a member of that Commission. No set of men that you can appoint on a committee made greater personal sacrifices of time than did the members of that commission to try to frame a satisfactory law. We may not have possessed the wisdom of the gentleman who spoke last, but we did the best we knew how; we were not in control of the halls of Congress, but we did have enacted in the Vreeland-Aldrich Bill the principles that the American Bankers' Association have enunciated—not as we would like to have them, but nevertheless the principles for which we fought were recognized.

Mr. Johnson, of Detroit, Mich.: May I add a couple of comments in support of Governor Herrick and also of Mr. Wade and in correction of Mr. Harvey's misstatement—unintentional, as I am sure it was. In the first place, you will pardon me for referring to the Postal Savings Bank matter for a moment. The deposits would not be sent to central reserve cities; and, in the second place, what may interest you, as Mr. Wade has stated, the State of Oklahoma does not recognize its own child for it requires a State warrant or surety bond for every dollar of its municipal deposits that is put into any bank in the State, be it State or national bank. (Laughter.)

President Teter: Gentlemen, are you ready for the question, or is there further discussion?

Mr. Breckinridge, of Arkansas: I wish to move a substitute for the motion that I understand is now before the house. My substitute is this: That action upon this resolution be deferred until the subject comes up in the general meeting of the American Bankers' Association. Now, upon this I desire to say just a word or two.

President Teter: Is there a second to the substitute motion offered by the gentleman from Arkansas?

A member: I will second it.

Mr. Breckinridge: This is a meeting of the Savings Bank Section, a subordinate organization of the American Bankers' Association; tomorrow there will be a meeting of the Trust Company section, another subordinate organization, and the day after tomorrow there will be a general meeting of the entire American Bankers' Association, consisting of members of these two sections and of bankers proper. Now this is a complicated question in very many respects. I will not attempt to go over the points that I know exist in the minds of very many of the gentlemen present, but as final action upon this question is certain to come up in the general meeting of the American Bankers' Association I submit that we should not anticipate such action here.

Mr. Herrick: I am willing to accept the substitute motion of the gentleman under one condition, and that is that he unite with it the question of postal savings. I think it is proper that the general meeting of the American Bankers' Association should discuss and pass upon these questions finally and not have them disposed of here.

Mr. Breckinridge: The postal savings matter is in somewhat of a different parliamentary status from this question. Of course, by unanimous consent, that subject could also be referred to the general meeting of the American Bankers' Association.

President Teter: The question is on Mr. Breckinridge's substitute.

Mr. Sullivan, of Ohio: I contend that the motion made by Mr. Breckinridge is not in any sense a substitute for Governor Herrick's resolution, and I suggest to Mr. Breckinridge that it would be more proper language if he were to frame his motion in different words.

Mr. Breckinridge: My motion is a substitute for the question before the house, the question before the House being the

resolution of Governor Herrick, and I think in essence his proposition is about the same as mine, namely, to defer final action here and let the subject be passed upon finally in the general meeting of the American Bankers' Association.

Mr. Herrick: I think the matter of guaranteeing deposits is such a ridiculous one that it ought not to be treated with any seriousness at all. We should sit down on it good and hard.

Mr. Jones: But suppose we take one action and the parent Association should take the other action. We would be presented before the American public in a very amusing light. We are all here as part and parcel of the American Bankers' Association, and here is a question that we are discussing that is on the program for discussion in that association and will come up there for general action. I think it would be discourteous for this subordinate body to attempt to forestall the action of the parent association.

Mr. Herrick: But this is a question that relates to the business of this section purely, savings banks, and it does not in any way interfere with the functions of the general meeting of the association.

Mr. Griswold, of New York City: Would it be proper for the Chair to name a committee of three to prepare a proper form of the opinion of this body, setting forth its like or dislike in reference to the subjects under discussion, and then put it before the meeting for a vote? (Laughter).

President Teter: Gentlemen, the question is on Mr. Breckinridge's substitute motion, which is in effect not to do anything but to put the whole matter up to the parent association. All in favor of the substitute motion will say Aye; opposed, No.

(The result of the vote being in doubt a division was ordered, whereupon the substitute motion of Mr. Breckinridge was declared lost.)

President Teter: The question is now on Governor Herrick's resolution. All in favor of its adoption will signify the same by saying Aye; all opposed, No.

Adopted.

POSTAL SAVINGS BANKS.

Mr. Dinwiddie, of Iowa: If it is in order, I would move that those present who desire to do so be now granted the privilege of discussing the subject of postal savings banks.

President Teter: A motion is not necessary, as the Chair will recognize any gentleman who desires to discuss that subject.

Mr. Johnston, of Schenectady, N. Y.: I desire to speak on that question, Mr. President. There is a great advantage to any speaker who wishes to set forth facts in having for hearers men who above others are accustomed to dealing in facts. It is possible that what I have briefly to bring to your attention will not be new, but if your attention at this time is called anew to certain facts I believe some good will come of it.

Now, the advocates of postal savings banks state:

That the government guarantee for deposits in postal savings banks will meet the approval of depositors.

That the system will be so universally spread throughout the country that people in small towns where there are no banks will avail themselves of the postal savings banks established there.

That foreigners who send their money to the old country under present conditions will leave their money here in government postal banks if such are established. That money which is now hoarded because of distrust of banking institutions will be brought into circulation through postal savings banks.

Now it is regarding these propositions briefly stated that I wish to state some facts. As to instituting postal savings banks for safety, there is at present in the neighborhood of four billion dollars in the savings banks in this country. The total amount of savings has been increasing from year to year since the savings bank system was established until it has approximated this enormous amount. During this time government bonds could be purchased in small amounts by any depositor in a savings bank for most of the years at a rate of interest exceeding that which is proposed to be paid by postal savings banks, and yet the government bonds of to-day are not held to any great extent by savings bank depositors. It is the same with first class municipal securities. It is the savings banks who take the people's money on an average of three to four per cent. and invest it in these securities. The savings banks have attested their confidence in the government of the United States and are building up confidence in the building communities of the country and in the minds of savings bank depositors and educating the large foreign element to such confidence. Is not the proposal to institute postal savings banks set forth in such a way as to discriminate somewhat against the safety of banking institutions as compared with the government of the United States? It is argued that when money is placed in postal savings banks by people who would not put it in savings banks they will when larger amounts have been accumulated put their money at larger interest in savings banks? Does that argument hold good? That they will prefer postal savings banks for small savings and savings banks for large amounts? Is it reasonable that national banks chartered by business men for the purpose of dividends will loan this postal savings bank money for people to build homes with, at from 4 per cent. to 5½ per cent.

interest when they can get six per cent. for their money, and as has been shown in times of panics, will send it to large commercial centers for from 10 per cent. to 20 per cent., or still larger rates of interest?

The bank of which I am the treasurer has within the past few years loaned to the people in the vicinity of the bank two millions of dollars of their savings for the purpose of building homes. How much of the savings bank money that has gone into the building of homes would be put into mortgages, school district, village and municipal bonds by national banks?

Investigation in foreign lands, as well as our own, has shown that the miserly hoarding of money by people who should deposit it in banks is done, although every facility is given them for the safe investment and depositing of their money.

Regarding the depositing in postal orders by people, residing in small localities where there are no savings banks, it is a fact that the amount of international money orders issued outside of the large cities is very small. In several counties that I have investigated the money orders are almost entirely taken out in the principal town. Government Postoffice statistics show that the average life of a postoffice international money order is seven days; that the average amount of the postoffice order is \$15. Do not these statistics establish the fact that the money orders purchased by the transient foreign element and sent to the old country is largely for transportation of that money, and not for the purpose of saving it, and would any particular amount of it be deposited in postal savings institutions, if established? On the other hand, would not postal savings banks draw from banks which pay no interest, and from trust companies and savings banks? Would not the tendency be to increase the rate of interest paid in postal banks, so long as the money was brought under the control of the government, and through it, placed in the custody of banking institutions who could use it to great advantage in the accumulation of dividends, gradually increasing the rate of interest allowed in the postal banks until it approximated the highest interest paid by savings banks and trust companies, and under such conditions, how could the semi-charitable institutions in which only certain officers are paid for services, whose trustees are for the most part without pay, survive as savings institutions.

Are not the savings banks of this country worth preserving, and should they be given over for the theory advanced, or the main reason given, of satisfying a transient foreign element? Can we afford to throw away something that is unique in American history for a theory that has little or no foundation, in fact?

Men who have watched the growth of the savings bank business for years know its true value to the business of the country, and to the building up of high standards of public confidence.

The statement is made that "only a portion of savings bank business will be affected if postal savings banks are instituted." Will it stand inspection? Will not the tendency be toward wiping out the savings banks because of an ever increasing salaries force, having its center in the politics of the country, and a vast accumulation of money which may be controlled by the administration of the government. Sineas that now make up much of the strength of business interest in various states, as an independent force, will be placed under the control of a central power.

We submit that when the savings banks of the States of New York, Massachusetts and Connecticut are discriminated against for institutions in which the people may place their spare earnings, that it will be time to inquire into the administration of the United States.

The best interests of our country demand that we investigate carefully the proposition for postal savings banks in the United States, before giving our voice in favor of such institutions, in preference to savings banks controlled by the various States of the Union.

Mr. Dinwiddie: One gentleman a moment ago, speaking in relation to guaranteed bank deposits, remarked that that question would come up day after to-morrow before the bankers proper. Another gentleman, speaking in relation to guaranteed bank deposits and postal savings banks, said that the subject of guaranteed bank deposits concerned the banks, whereas the postal savings question concerned principally savings banks. Now I contend that these two remarks might mean that the Savings Bank Section need expect nothing from the American Bankers' Association generally. I do not want to think that. I believe that we are as much bankers proper as are the other bankers. I do not believe we want to allow it to become thought even that the American Bankers' Association is an association of national bankers and that we have no particular interest in the association. I do not believe we want it to be thought that we are simply an adjunct to the association. I believe when we come here, we come as part of the American Bankers' Association, and anything that is for the interest of the fraternity at large is for our interests as a whole. I believe the American Bankers' Association must help us to fight our battles, and I do not want to go before them saying that we have taken it upon our shoulders to do this or that, but what we resolve to do here let us do jointly, together, and let us insist on receiving the support of the American Bankers' Association in everything

that we do. We do not want postal savings banks. The banks proper, granting for the moment that there are such, evidently do not care so much about that question as they do about the question of guaranteed bank deposits. Let us link them up. If we can help them defeat guaranteed bank deposits let us do so, and then let us ask them to help us defeat postal savings banks. To do this we must enlist the energy of every member of the American Bankers' Association, whether he is a banker proper or what not. Fifteen thousand members of an association comprising State banks, National banks and savings banks is a mighty strong organization. Let us work together. (Applause.)

Mr. Briggs, of Denver, Colo.: The remarks of the gentleman from Iowa caused me to rise to make a motion along the line of his suggestion. I believe at the coming session of Congress this question is going to be acted upon, and that the savings banks are in graver danger now than any other financial institutions in the country. The question of guaranteeing of bank deposits is now a political question and will solve itself, but the question of passing a Federal savings bank law has been endorsed by the political parties of this country and is a vital question before us. Now, I move that it is the sense of the Savings Bank Section that the American Bankers' Association oppose the passage of any bill by Congress establishing Federal savings banks. (Applause.)

A Member: I second that motion.

Mr. Ford, of Louisville, Ky.: I heartily agree with the sentiment expressed that this section should not make itself purely a subordinate body of the American Bankers' Association. It is a part of that great association. But it seems to me that it is entirely competent for this section to go before the American Bankers' Association and declare its opinion on any question like this and ask for the support of that association in carrying it out. I therefore suggest to the gentleman from Denver that he word his motion in this way: That a committee be appointed to present to the American Bankers' Association the report that we have heard read from our Committee on Postal Savings Banks and request their support in carrying out the sentiment expressed in that report.

Mr. Briggs: I will accept that. My motion was intended to get the American Bankers' Association to express itself publicly by some means upon this subject as well as to give us the benefit of their assistance.

Mr. Johnson, of Michigan: I think the position taken by the gentleman who has just spoken is the proper one and that we ought to act upon his motion as originally made. When we have done that then if you choose we can name a committee to present the subject before the general convention.

Mr. Ford: There is no real difference between Mr. Briggs and myself. I merely suggested that there be added to Mr. Briggs' motion that the report be read before the American Bankers' Association as expressing the sense of this body.

Mr. Briggs: I will re-word my motion so as to read that it is the sense of this section that we oppose the establishment of Federal savings banks in the United States, and ask the support of the American Bankers' Association to defeat the same, and that the Committee on Federal Savings Banks of this section be requested to present this motion to the American Bankers' Association.

Mr. Dinwiddie: I second that.

Mr. Johnson: I would like to ask if the gentleman from Denver refers to the Standing Law Committee of this section when he speaks of the committee? If the gentleman will recall the latter clause in our report this morning, we called attention to the codifying and ultimate uniformity that we hoped to obtain in the savings banks laws of the various States, and I may say that our committee has been in close touch with National and State legislation and we recognize the growing tendency that way, and we only thought that if we get busy early and shape legislation along the lines recommended by our committee that we will do away with even the growing sentiment for Federal savings banks, we will create a uniform savings bank system of our own building, built by our experts and not by politicians; and I suggest that if you leave that question in the hands of the standing law committee it will receive most careful consideration and nothing in the law of legislation that affects any of our rights as bankers, as business men or as citizens, will in any way be lost sight of.

Mr. Briggs: I cannot see how my motion conflicts in any way with the duties of the committee. Certainly we shall be very glad to have the support of the committee.

President Teter: In using the term "Federal" savings banks I suppose Mr. Briggs really meant postal savings banks.

Mr. Briggs: Yes, certainly.

President Teter: The question before the house is the motion made by Mr. Briggs. All in favor of the motion will say Aye; opposed, No.

Carried.

Mr. Dinwiddie: I do not want to occupy too much time, but there is another thing that I want to speak of. It has been suggested that the Standing Law Committee is looking after legislation in the various States. I take it that that is to secure uniform laws along certain lines. Now I can see wherein it is of considerable advantage to the national banks of the country, because they are national under the national law, to come to these meetings and to belong to the American Bankers' Association. What I want to say is, what particular advantage it is for the

State and for the savings banks to be part of that and yet have the parent association say that it wants to stand aloof from local affairs. It does stand aloof from local affairs, from local banks, because what legislation affects one affects all. But it is not so with State banks and savings banks. We can get action of the committee that Mr. Johnson speaks of along certain lines, but where can the State associations and the bankers of the State who belong to both the American Bankers' Association and the State Associations get the benefit that they are entitled to from the parent association to go along with the benefit to the national banks if the American Bankers' Association insists in keeping out of local affairs. I contend that there are times when the American Bankers' Association lends its efforts to furthering the desires of the bankers of different States if their desires are agreed to by the State, National and savings banks. I would like to have this body—perhaps not by motion, but let each person resolve himself into a committee of one to impress on every member of the American Bankers' Association that he meets that the State and savings bank people want the benefit they are entitled to, whether it be local or not, if they ask for it after agreeing upon what they should get. The State of Iowa now desires to have certain legislation enacted. We believe that with the aid of a certain committee of the American Bankers' Association we might accomplish it. Is that a thing that the American Bankers' Association calls local? Would it refuse to lend its aid to an object of that kind? If they do are they not discriminating?

Mr. Creer: I had a few words to say upon the postal savings bank question, but I am going to refrain. This morning I congratulate the section upon its large attendance. This afternoon I have come to the conclusion that having a separate day set apart for our meeting may be really a detriment to us. I see on the program for Thursday afternoon there is to be an address by Festus J. Wade, of St. Louis, on the subject of guarantee of bank deposits. I submit in all fairness if that time and that place were not the proper time and place for our friend from Wisconsin and our friend from Ohio, and all the others that have had something to say on the subject to speak of guaranteed deposits. This is a meeting of the Savings Bank Section, and if we are to have these gentlemen—for whose opinions we have very much respect—come in here on the one day that we have and inject discussion of questions that are not purely questions affecting savings banks then we are going to be robbed of the privilege and the time that we hoped to have had in our full day's meeting.

Colonel Sullivan did me an injustice when he intimated that I wanted to strangle discussion. I did not want to do that, but I say there are men here to-day, experienced, earnest savings bank men, who had something to say on this postal savings bank question, and who could not say it for lack of time, and you and I will be the losers by not having had the benefit of their opinion.

So, gentlemen, I ask you as savings bank men, whether you are connected with purely mutual savings banks or trust companies, with savings departments or State banks that have a savings department, that you will carefully guard the time and have a proper idea of the eternal fitness of things on all subjects that shall come up for discussion on the floor of this section so that we shall not again trench upon something that is coming up in the general convention. (Applause.)

President Teter: The hour is growing late, gentlemen, but we will hear from any one else who has a word to offer. If there is no further discussion, we will hear from the Committee on Nominations.

NOMINATIONS AND ELECTIONS.

Mr. Griswold, of New York: Mr. President and Gentlemen of the Association: As Chairman of the Nominating Committee I am requested to submit the following nominations of officers for the ensuing year:

For President of the Section—John H. Johnson, of Detroit, Mich.

For Vice-President—William R. Creer, of Cleveland, Ohio.

For three members of the Executive Committee to serve three years—W. T. Ravenscroft, President of the Federal State and Savings Bank, Denver, Colorado; A. W. Johnson, Treasurer of the Schenectady Savings Bank, Schenectady, N. Y.; Robert J. Wood, Chairman of the Board of Directors of the Interstate Trust and Banking Company, New Orleans, La.

And for Vice-Presidents of the various States as follows:

Alabama—Eugene F. Enslin, Cashier Jefferson County Savings Bank, Birmingham.

Arkansas—Charles McKee, Vice-Presidents State National Bank, Little Rock.

California—James R. Kelly, President Hibernian Savings and Loan Society, San Francisco.

Colorado—Alva Adams, President Pueblo Savings Bank, Pueblo.

Connecticut—Lyman S. Caplin, Treasurer Mechanics' and Farmers' Savings Banks, Bridgeport.

Florida—J. M. Stevens, President Union Savings Bank, Jacksonville.

Georgia—George M. Brown, President Georgia Savings and Trust Company, Atlanta.

Illinois—Addison Corneau, Assistant Cashier of Western Trust and Savings Bank, Chicago.

Indiana—J. Woolverton, President St. Joseph County Savings Bank, South Bend.

Iowa—J. M. Dinwiddie, Cashier Cedar Rapids Savings Bank, Cedar Rapids.

Kansas—T. M. Walker, President Atchison Savings Bank, Atchison.

Kentucky—Attila Cox, President Columbia Trust Company, Louisville.

Louisiana—G. A. Blaffer, Vice-President Commercial Germania Trust and Savings Bank, New Orleans, La.
 Maine—E. A. Noyes, Treasurer Portland Savings Bank, Portland.
 Maryland—Robert M. Rother, President Hopkins Place Savings Bank, Baltimore.
 Massachusetts—Frederick C. Nichols, Treasurer Fitchburg Savings Bank, Fitchburg.
 Minnesota—F. Otto Willis, Assistant Treasurer State Savings Bank, St. Paul.
 Mississippi—F. G. Wisner, President First National Bank, Laurel, Miss.
 Missouri—Thornton Cooke, Treasurer Fidelity Trust Company, Kansas City.
 Montana—E. P. Chapin, Vice President State Savings Bank, Butte.
 New Hampshire—J. E. Fernald, Vice-President Loan & Trust Savings Bank, Concord.
 New Jersey—Adrian Lyon, President Perth Amboy Savings Institution, Perth Amboy.
 New York—Everett Smith, President Schenectady Savings Bank, Schenectady.
 North Carolina—W. L. Scales, Cashier Richmond County Savings Bank, Rockingham.
 Ohio—B. Wiehenson, President United Banking and Savings Company, Cleveland.
 Oregon—Lansing Stout, Cashier Hibernian Savings Bank, Portland.
 Pennsylvania—G. C. Purves, President Philadelphia Savings Fund Society, Philadelphia.
 South Carolina—W. D. Morgan, President Bank of Georgetown, Georgetown.
 South Dakota—Isaac Lincoln, President First State Savings Bank, Aberdeen.
 Tennessee—P. D. Houston, Cashier First Savings Bank and Trust Company, Nashville.
 Utah—David Eccles, President Ogden Savings Bank, Ogden.
 Vermont—C. P. Smith, President Burlington Savings Bank, Burlington.
 Virginia—R. M. Kent, Jr., Cashier Capitol Savings Bank, Richmond.
 Washington—W. D. Vincent, Cashier Old National Bank, Spokane.
 West Virginia—H. C. Harvey, Cashier American Bank and Trust Company, Huntington.
 Wisconsin—C. R. Carpenter, Cashier Commercial and Savings Bank, Racine.

President Teter: Gentlemen, you have heard the report of the Committee on Nominations. Are there any other nominations? There being no other nominations the question will be put upon the reception of the report of the committee and the election of the gentlemen named.

All in favor of accepting the report of the committee and electing the gentlemen whose names have been read will signify the same by saying Aye; opposed, No.

Carried.

I take pleasure in presenting to the section the President-elect, John H. Johnson, of Detroit, Mich. (Applause).

President Johnson: It would be very ungrateful in me if I did not at least acknowledge the compliment that you pay Michigan to-day. I take it that your action is not a recognition of any special service that I may have rendered, but is rather a compliment to the bankers of my State who have worked hard for many years in presenting to the banking fraternity of America a savings bank law that is progressive along the very lines that we all want. On behalf of Michigan, then, I thank

you; and as far as I am concerned personally, I assure you that I will endeavor in the year to come, with the aid of the wisdom of the gentlemen with whom you have associated me, to care for your interests to the best of my ability; I will endeavor to put upon my work the impress of earnestness, carrying underneath it all the principles that the Commissioner from Massachusetts lead before you in his very able paper this morning, that we are the guardians of the great trust funds of the American people and that we cannot be too careful in any movements that we make. I feel, gentlemen, that the work of this section which will devolve upon these committees—the Postal Savings Bank Committee and the standing Law Committee—will be very heavy and serious, and it will be my utmost endeavor to appoint on those committees only gentlemen who will take an interest in the work and who will guard our interests sacredly, carefully and unselfishly.

Gentlemen, I thank you very much indeed. (Applause).

Mr. Teter: Mr. President, in handing you your badge of office I trust I may transfer to you something of the loyalty that has come to me during the past year from the officers of the section. (Applause).

President Johnson: Gentlemen, I present to you the Vice-President-elect.

Vice-President Creer: I thank the members of the section for the honor conferred upon me. With Mr. Johnson I feel that I have done nothing personally to deserve your favor. I believe the Revelator has said: "I am Alpha and Omega—the first and the last." I won't give the rest of it. You have honored Ohio in the past in electing the President of the largest savings bank in the Middle West, and you have honored now the representative of one of the smallest. They raise everything in Ohio. (Laughter and applause.)

RESOLUTIONS OF THANKS.

Before we close, gentlemen, I think it wise to offer a couple of resolutions, as follows:

Resolved, That the thanks of the section be tendered to the officers for the dignified, energetic and progressive manner in which they have handled the affairs of the section during the past year.

Resolved, That the thanks of the section be tendered to the bankers of Denver for their gracious reception, and to the owners of Brown-Palace Hotel for the pleasant and generous treatment of our delegates.

The resolutions were variously seconded.

President Johnson: Gentlemen, all in favor of the adoption of these resolutions will signify it by rising.

Adopted.

Is there any unfinished business?

Mr. Herrick: I would request that in referring the matter of postal savings banks to the meeting of the American Bankers' Association the resolution that I offer be also referred to the convention at the same time.

President Johnson: If there is no objection, it will be so ordered. Is there any new business? Is there anything that we can do for any member? If not, then I would announce that there will be a meeting of the Executive Committee immediately after adjournment, and I now declare this meeting of the section adjourned *sine die*.

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JEROME TAYLOR, Trust Officer
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 JAMES H. SHACKLETON, Asst. Sec. & Asst. Treas.