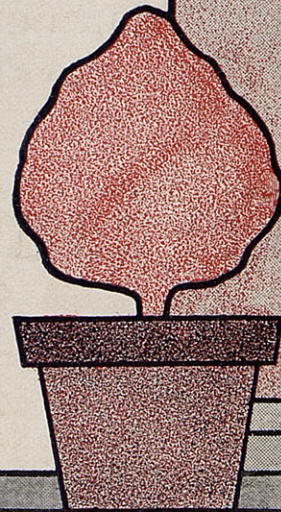
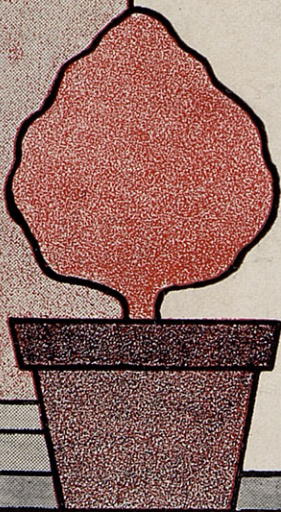


Pages 90 + 148

TEXAS BANKERS RECORD

OFFICIAL PUBLICATION
TEXAS
BANKERS
ASSOCIATION


PROCEEDINGS
FORT WORTH
CONVENTION



R.P.L.

JUNE

1914

 OUR own customers know the nature and quality of the service rendered by this Bank and we believe we could number many more banks of this State among our customers if we had the opportunity of discussing the matter of Modern Banking Service which really serves. WE WOULD APPRECIATE A CALL, AT ANY RATE.


The Austin National Bank

E. P. WILMOT, *President*

W. H. FOLTS, *Vice President*

MORRIS HIRSHFELD, *Cashier*

C. M. BARTHOLOMEW, *Ass't Cashier*

 THE many unique features in the service of this Bank, aside from its ample cash resources, and large volume of Texas collections, make it a most desirable connection as a Reserve Agent for State and National Banks. Inquiries invited.

The Lumbermans National Bank

OF HOUSTON, TEXAS

OFFICERS:

S. F. CARTER, *President.*

GUY M. BRYAN, *Vice President.*

H. M. GARWOOD, *Vice President.*

J. P. CARTER, *Vice President.*

WM. D. CLEVELAND, JR., *Vice President.*

LYNN P. TALLEY, *Cashier.*

M. S. MURRAY, *Asst. Cashier.*

H. M. WILKINS, *Asst. Cashier.*

No. 1644

THE FIRST NATIONAL BANK

OF HOUSTON

Capital \$2,000,000
Surplus and Profits \$400,000

OFFICERS:

O. L. COCHRAN, President.
J. T. SCOTT, Vice-President.
OSCAR WELLS, Vice-President.
W. S. COCHRAN, Vice-President.
F. E. RUSSELL, Cashier.
G. G. TIMMINS, Assistant Cashier.
J. L. RUSSELL, Assistant Cashier.

DIRECTORS:

O. L. COCHRAN
J. T. SCOTT
E. A. PEDEN
W. H. KIRKLAND
W. S. COCHRAN
H. R. ELDRIDGE
E. L. NEVILLE
OSCAR WELLS

We would be pleased to correspond with Texas Bankers contemplating opening a Houston account or changing their present connections, feeling assured we can serve them to their entire satisfaction.

TREASURY DEPARTMENT

Office of the

Comptroller of the Currency

To the National Bank Examiners:
 Hereafter upon entering a bank for the purpose of making an examination, the Board of Directors should be immediately conveyed by the direction of the examiner, to enable him to obtain the information necessary to answer the following questions. The members of the Board should be advised that the questions are made by direction of the Comptroller of the Currency.

1. This statement must be prepared and form a part of report of each examination.
2. JAMES C. MURRAY, Comptroller.
3. What is the number of directors of the bank?
4. What number was given to the bank by the Comptroller?
5. How many of the directors are present at the time of the examination?
6. How many have not present knowledge of the condition of the bank?
7. How many know policy at all about the condition of the bank?
8. How many attend Board meetings with the directors?
9. Have the directors any knowledge of the bank's financial condition or the bank's employees?
10. Do the directors approve loans before or after they are made, or leave this important duty to a committee, or to the officers of the bank?
11. If they approve loans, a full approval of record is made?
12. Are the directors aware of the reasons for the loans made by the bank?
13. Do the directors know the names of the persons who are allowed to borrow from the bank?
14. Do any of the directors know other than the names of the persons who are allowed to borrow from the bank?
15. Do any of the directors know the names of the persons who are allowed to borrow from the bank?
16. How often do the directors examine and audit the books and records of the bank?
17. Do the directors direct the making of a full balance of the bank's books and records?
18. Do the directors require the verification of accounts carried at the bank of stated dates and safety deposits as to the correctness of accounts?
19. Have the directors verified and examined the accounts of deposits, certified checks, and cashier's checks?
20. Have the directors examined into the condition of the bank's money reserve?
21. Do they know whether or not bank notes are carried into the reserve?
22. Does a committee of the directors count the cash periodically?
23. Has a committee of the directors ever checked up the stock ledger?
24. Have the directors examined the profit and loss and expense accounts?
25. Have the directors paid and the bank's copy of the bank's report of condition and statement of earnings and dividends with the books of the bank as of the same date?
26. How many of the directors read the letters and reports from the Comptroller?
27. Do they read carefully the replies made in answer to letters from the Comptroller?
28. What steps are taken by the directors to correct matters suggested by the Comptroller?
29. How many of the directors have read the national bank act?
30. How many know the names of directors and what the courts have decided as to the responsibility and liability of directors?

ABLE TO ANSWER ALL THESE QUESTIONS INTELLIGENTLY AND SATISFACTORILY. AND YOU WILL BE READ WITH INTEREST AND COURTESY BY THE BANK DIRECTORS.

The Duties and Liabilities of Bank Directors

By *EDGAR G. ALCORN*

TO BANK DIRECTORS:

Through recent bank failures directors have lost heavily. Some indeed have been financially ruined. In the majority of cases the directors were guilty of no wrong, but through their ignorance of the law unintentionally neglected some of the duties devolving upon them.

There is now a stronger disposition than ever to fasten the responsibility of bank management upon the directors. The Comptroller of the Currency recently issued instructions to bank examiners that hereafter when an examination of a bank was made, a meeting of the directors should be immediately called, and each director closely questioned as to his knowledge of the banking laws, his duties and obligations as a director, and the actual condition of the bank in all its details. The banking departments of the several states are said to be contemplating similar action.

How is it with you? Do you know what your duties really are? The extent of your obligations and responsibilities, if known, would astonish you. Ignorance of the law will not excuse you, or relieve you from any liability. If only for your own personal protection, you should be more thoroughly informed as to these matters.

"The Duties and Liabilities of Bank Directors" is a book which clearly, concisely, and accurately defines the duties of bank directors, and shows to what extent and under what conditions they are liable for the losses sustained by a bank through mismanagement or dishonesty of employees.

The book is published by the Financial Publishing Company at \$2.00 a copy, but by ordering it direct of the author it will be sent at the author's special price of \$1.75.

Some banks order a copy of this book for each of their directors. When this is done a special price of \$1.50 each will be made for an order of three copies or more. Mention this at your next Board meeting.

HOPEDALE, OHIO

THE AUTHOR.

A BOOK
WHICH SIMPLY,
CLEARLY,
AND ACCURATELY
DEFINES THE
DUTIES LIABILITIES,
AND AUTHORITY
OF BANK DIRECTORS.
ALSO CONTAINING
CHAPTERS ON
HOW TO ORGANIZE
A BANK,
THE MODE AND
ORDER OF BUSINESS
AT DIRECTORS'
MEETINGS,
DUTIES OF
THE DISCOUNT
COMMITTEE,
DUTIES OF
THE EXAMINING
COMMITTEE,
INDEMNITY BONDS,
NATIONAL BANK
CIRCULATION,
BANK RESERVES

BOUND IN CLOTH,
POSTAGE PREPAID,
PRICE \$1.75

BE SURE TO READ ON THE INSIDE OF THIS SHEET THE QUESTIONS YOU WILL BE REQUIRED,
BY THE BANK EXAMINER, TO ANSWER AT THE NEXT REGULAR EXAMINATION OF YOUR BANK.

TREASURY DEPARTMENT

Office of the

Comptroller of the Currency

TO THE NATIONAL BANK EXAMINERS :

Hereafter upon entering a bank for the purpose of making an examination, the Board of Directors should be immediately convened by the direction of the examiner, to enable him to obtain the information necessary to answer the following questions. The members of the Board should be advised that the inquiries are made by direction of the Comptroller of the Currency.

This statement must accompany and form a part of report of each examination.

LAWRENCE O. MURRAY,
Comptroller.

1. What is the number of directors of the bank?
2. What number was present at this examination?
3. How many of the directors know the condition of the bank in all its details?
4. How many have but a general knowledge of the condition of the bank?
5. How many know nothing at all about the condition of the bank?
6. How many attend Board meetings with regularity?
7. Have the directors full knowledge of the habits and general standing of the bank's employees?
8. Do the directors approve loans before or after they are made, or leave this important duty to a committee, or to the officers of the bank?
9. If they approve loans, is their approval of record in each case?
10. Can the directors certify to the genuineness of the signatures of the notes discounted by the bank?
11. Do the directors authorize overdrafts?
12. Do they tacitly permit officers to allow overdrafts?
13. Do any of the directors, other than members of the discount committee, examine and verify loans and discounts?
14. How often do the directors examine and list all collateral held by the bank?
15. How often do the directors examine and list all stocks, securities, and real estate mortgages owned by the bank?
16. Do the directors direct the calling in and balancing of pass books and satisfy themselves as to the correctness of the work?
17. Do the directors require the verification of accounts current at irregular or stated dates and satisfy themselves as to the correctness of accounts?
18. Have the directors verified outstanding certificates of deposit, certified checks, and cashier's checks?
19. Have the directors examined into the condition of the lawful money reserve?
20. Do they know whether or not bank notes are carried into the reserve?
21. Does a committee of the directors count the cash periodically?
22. Has a committee of the directors ever checked up the stock ledger?
23. Have the directors examined the profit and loss and expense accounts?
24. Have the directors compared the bank's copy of its last report of condition and statement of earnings and dividends with the books of the bank as of the same dates?
25. How many of the directors read the letters of criticism from the Comptroller?
26. Do they read carefully the replies made in answer to letters from the Comptroller?
27. What steps are taken by the directors to correct matters criticised by the Comptroller?
28. How many of the directors have read the national bank act?
29. How many know the duties of directors and what the courts have decided as to the responsibility and liability of directors?

READ "THE DUTIES AND LIABILITIES OF BANK DIRECTORS" AND YOU WILL BE
ABLE TO ANSWER ALL THESE QUESTIONS INTELLIGENTLY AND SATISFACTORILY.

John W. Philp, Dallas.
W. R. Boyd, Jr., Dallas.
John H. Fahey, Boston.

Members
American Bankers Association
Texas Bankers Association

PHILP, BOYD & CO.

Investment Securities
Commercial Paper

Stocks,
Bonds,
Farm Loans.

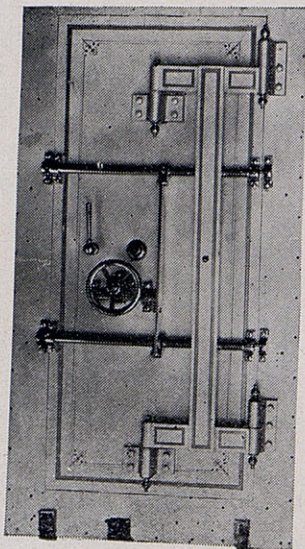
Dallas: North Texas Building.
Boston 35 Congress Street.

Individual Responsibility Over
ONE MILLION DOLLARS

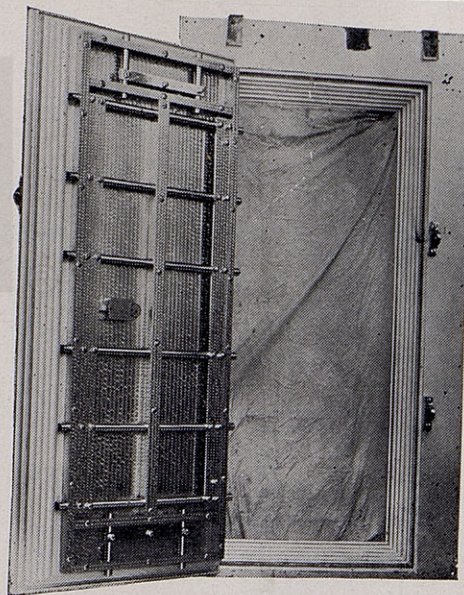
We Have a

Steel Lined Vault

Measuring inside 14 feet wide, 8 feet deep and 7 feet, 6 inches high. The space between the inner and outer course of steel is filled with Fireproof Material.



The vault is divided into two compartments by a steel partition. Each compartment is provided with a separate entrance, secured by a heavy door. This door is hung on Crane Hinges, with sixteen heavy, double acting bolts. Doors are worked by a double pressure system. Day gates and everything complete ready for use.



If you want a FIRST CLASS VAULT erected in your banking room, we can save you money. Correspond with

York Safe Co., York, Pa.

W. H. MORRISON, P. O. Box 913, San Antonio, Texas.

Continental and Commercial National Bank

OF CHICAGO

Capital, Surplus and Undivided Profits \$32,000,000

OFFICERS

GEORGE M. REYNOLDS, President

RALPH VAN VECHTEN, Vice-President
ALEX. ROBERTSON, Vice-President
HERMAN WALDECK, Vice-President
JOHN C. CRAFT, Vice-President
JAMES R. CHAPMAN, Vice-President
WM. T. BRUCKNER, Vice-President
NATHANIEL R. LOSCH, Cashier

JOHN R. WASHBURN, Assistant Cashier
HARVEY C. VERNON, Assistant Cashier
GEO. B. SMITH, Assistant Cashier
WILBER HATTERY, Assistant Cashier
H. ERSKINE SMITH, Assistant Cashier
WILSON W. LAMPERT, Assistant Cashier
DAN NORMAN, Assistant Cashier
GEO. A. JACKSON, Assistant Cashier

EDWARD S. LACEY, Chairman of Advisory Committee

Continental and Commercial Trust and Savings Bank

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

TRUST, SAVINGS and BOND DEPARTMENTS

OFFICERS

GEORGE M. REYNOLDS, President

JOHN JAY ABBOTT, Vice-President
GEO. B. CALDWELL, Vice-President
CHARLES C. WILLSON, Cashier

FRANK H. JONES, Secretary
Wm. P. KOPF, Assistant Secretary
HENRY C. OLCOTT, Manager Bond Department

The Hibernian Banking Association

Capital, Surplus and Undivided Profits, \$3,000,000

OFFICERS

GEORGE M. REYNOLDS, President

DAVID R. LEWIS, Vice-President
HENRY B. CLARKE, Vice-President
LOUIS B. CLARKE, Vice-President
FREDERIC S. HEBARD, Cashier

EVERETT R. McFADDEN, Secretary
JOHN P. V. MURPHY, Manager Savings Department
GEORGE ALLAN, Assistant Cashier
THOS. E. McGRATH, Assistant Cashier

Combined Resources of These Affiliated Banks
Over \$250,000,000

Please Mention Record In Writing Advertisers

ORGANIZED 1839

NATIONAL BANK OF COMMERCE

IN

NEW YORK

**Capital, Surplus and Undivided
Profits Over \$41,000,000**

**This Bank is fully equipped to meet the
requirements of Texas Banks.**

President

JAMES S. ALEXANDER

Vice Presidents

R. G. HUTCHINS, Jr.

HERBERT P. HOWELL

Cashier

STEVENSON E. WARD

Assistant Cashiers

**OLIVER I. PILAT
FARIS R. RUSSELL
A. J. OXENHAM**

**WILLIAM M. St. JOHN
LOUIS A. KEIDEL
JOHN E. ROVENSKY**

**Manager Foreign Department
FRANZ MEYER**

Please Mention Record In Writing Advertisers

The State Bank and Trust Company

of San Antonio, Texas

WITH

R. R. RUSSELL, Pres. J. H. HAILE, Vice Pres. GEO. D. CAMPBELL, Vice Pres.
THOS. E. MATHIS, Cashier A. G. ENGELKE, Asst. Cashier

AND

Capital Stock \$500,000 : Surplus and Profits \$150,000

Shall be very glad of the opportunity to serve you in the matter of collections on San Antonio and Southwest Texas and assure you the very best service to be had.

ACCOUNTS OF BANKS AND BANKERS SOLICITED

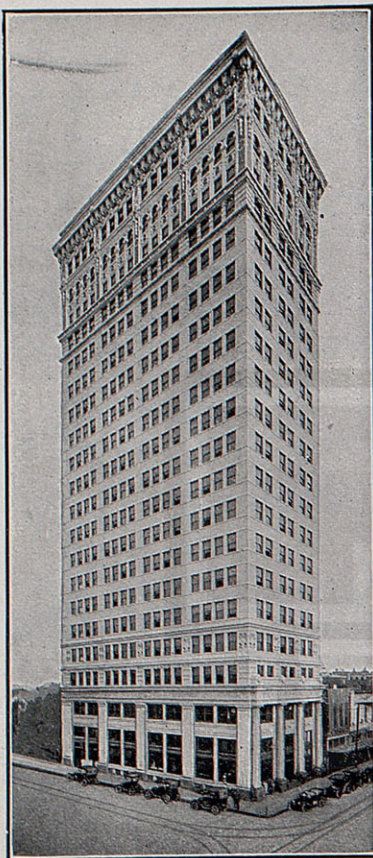
Send Your Items on South Texas Points to THE CORPUS CHRISTI NATIONAL BANK

All items handled direct. We maintain a modern Transit Department. Reserve city banks will save time and money by routing their items through

The Corpus Christi National Bank

Capital and Surplus \$350,000.00 : : : Deposits \$1,500,000.00

Please Mention Record In Writing Advertisers



AMICABLE LIFE BUILDING

Amicable Life Insurance Company

WACO, TEXAS

**\$1,000,000 Deposited With the State Treasurer
of Texas**

GROWTH DURING FIRST FORTY-EIGHT MONTHS

(Commenced Business April 2, 1910.)

Date	Admitted Assets	Insurance in Force
April 2, 1910.....	\$ 474,657.50	None
December 31, 1910.....	823,258.38	\$1,830,206.00
December 31, 1911.....	1,369,388.76	5,544,706.00
December 31, 1912.....	1,769,449.71	12,674,411.00
December 31, 1913.....	1,967,740.67	16,677,723.00
April 1, 1914.....	2,003,838.61	17,002,147.00

NO LIFE COMPANY SAME AGE EVER BEFORE EQUALLED
ABOVE RECORD.

Insurance Written (paid) During 1913, \$8,283,703

This Company has never issued a policy with a Survivorship Fund Clause, Special Contract, Pink Note or Lien Premium Settlement, or any other scheme in connection therewith.

ARTEMAS R. ROBERTS, President and Actuary.

Modern business methods demand promptness and dispatch. All departments of the Irving, both domestic and foreign are specifically organized to meet these conditions.

IRVING NATIONAL BANK NEW YORK



**Strictly a Commercial Bank
Capital and Surplus \$7,000,000**

Please Mention Record In Writing Advertisers

The Texas Bankers Record

Official Publication of the Texas Bankers Association

Volume Three

Austin, Texas, June, 1914

Number Ten

Devoted to the Banking, Industrial and Commercial Interests of Texas

CONVENTION PROCEEDINGS

THIRTIETH ANNUAL MEETING OF THE TEXAS BANKERS ASSOCIATION, FT. WORTH, MAY 5, 6 AND 7.
1914.

TUESDAY, FIRST DAY, MAY 5.

Morning Session.

President Adams—The Convention will now come to order and Dr. Caldwell will deliver the invocation. Please rise.

Invocation.

Rev. Wm. Caldwell—Almighty Father, we recognize Thee as the Giver of every good and perfect gift. It is Thou who hast created us and not we, ourselves. We are the creatures of Thy hand; the sheep of Thy pasture. It is Thou who dost keep the life in our bodies and the breath in our nostrils. Thou sendest forth Thy spirit and we are created; Thou hidest Thy face and we are troubled; Thou takest away Thy breath and we die; our bodies return unto the dust; our spirits unto Thee.

We pray Thee to give us a sense of our dependence upon Thee, that we may not suppose that we can live and love and serve and get gain in our strife, but only as we live and move and have our being in Thee, can we fulfill our destiny; can we accomplish the purposes which Thou hast for us. And we pray Thee this morning that as we enter upon the sessions of this Convention that we shall do so in the fear of God and in love towards our fellowman.

We thank Thee for the goodness of the God that is over us; for Thy Providence, that Thou dost watch over us and all that is ours; all our loved ones at home; our interests; ourselves. We thank Thee that not a sparrow falls to the ground without the Father's notice; that not even the most insignificant detail of our lives is without meaning



J. A. PONDROM

Vice-President of the Texarkana National Bank, Texarkana, Tex., who was chosen President of the Texas Bankers' Association by the Delegates to the Fort Worth Convention. Mr. Pondrom is a typical, self-made Texas product, and stands for all that is conservative, safe and conscientious in banking. His election was unanimous, and his welcome into the President's chair was thrilling in the extreme. Big things are ahead for the Association, and a big man will direct its affairs in the person of Mr. Pondrom.

to Thee and without meaning to ourselves, and the great purposes which Thou hast for the universe.

We thank Thee for the belief that all things

work together for good to them that love God, to them that are called according to his purposes, and pray that every one of us here may belong to that number, and that we shall realize the great obligations that rest upon us, and that we shall realize that we are called; that we have a vocation and that we live our lives in Thy presence; that Thou dost see us; that Thou dost know us; and that Thou dost understand our thoughts, and that no act of ours can pass unnoticed of Thee. And so we pray Thee to make us honest; to make us truthful; to make us sincere; to make us men honorable in every detail of life, that we shall realize that Thou, God, seest us.

We thank Thee, for our calling; we thank Thee for the great land which Thou hast given to us; we thank Thee for our homes, and we pray Thee that all these blessings with which Thou has dowered us and showered our lives may lead us to turn away from everything that is low; everything that is mean; everything that is dishonorable; everything that would degrade us and degrade our fellow man, that we may live the life that breaks from the Throne of God.

We pray Thee at this time that Thou wilt fill us with the spirit of patriotism; with a great love for the land which Thou hast given us. Our lives have fallen unto us in pleasant places; we have a goodly heritage.

We pray for Thy blessings to rest upon the President of these United States and upon the officers

and governors of the States, that they may be given the strength and guidance and wisdom that they may ever do the things which are most pleasing in Thy sight; that they may further not only the interests of this land, but by their wisdom and deliberations, that they may further the interests of the Kingdom of God upon earth.

Now as we close our petition unto Thee, we pray for our loved ones at home, that Thou wilt watch over them; that Thou wilt keep them as we pray that Thou wilt keep us, by Thy Divine power, through faith unto eternal salvation; that their life and health may be good in Thy sight.

We pray that Thou wilt bless these who are here; bless these men; bless the deliberations held from day to day; may they be useful and helpful and good for the progress of mankind; for civilization; for blessing all those who are to be used for the extension of the great thoughts of God towards us. In the name of Jesus Christ, Thy Son and our Lord. Amen.

*

President Adams—This program is unique in one thing, Ladies and Gentlemen, and that is, that the address of welcome and the response thereto have been left off. We felt that so many of you had enjoyed the hospitality of Fort Worth, that it would be unnecessary to again welcome you. I am sure, from the reception that has been accorded you, that you are glad to be here, and that you will enjoy your stay.

PRESIDENT'S ADDRESS

BY NATHAN ADAMS, CASHIER AMERICAN EXCHANGE NATIONAL BANK, DALLAS, RETIRING PRESIDENT OF THE ASSOCIATION.

THE YEAR 1913 has marked an epoch in the financial history of this country, and to our Democratic President and Congress belongs the credit for offering the first real solution of our financial troubles. To their courage and constructive statesmanship, I think, the bankers and business men owe a debt which can only be adequately repaid by giving our sincere and loyal support to the men who will be selected to direct the operation of the new system, with a view to giving it a thorough trial and using every effort to make it a practical success.

Later on in this meeting the subject will be handled by a speaker who is thoroughly capable of covering its every detail in a complete and comprehensive manner.

Proud of Reserve Bank for Texas.

While it is not my intention at this time to discuss in detail the new system under which we will now operate, I cannot refrain from congratulating the State of Texas

and the entire Southwest upon the fact that they were able to show the Federal Reserve Bank Organization Committee sufficient facts and evidence to convince them that they were justly entitled to one of the regional banks. Right here I desire to publicly declare that this could not have been accomplished without the vigorous and loyal co-operation which was so freely and conspicuously rendered by every member of this association, and to them I desire to return the sincere thanks of the reserve cities of this State.

It will, of course, be very gratifying if the Regional Bank of this district is organized early enough to be of material assistance and benefit to us in the movement of our great crops this year, the prospects for which could not be better than they are at the present time, and I particularly urge your active and continued co-operation looking to this end.

When you consider the Federal Reserve Act in its entirety, you cannot but realize that, under proper



NATHAN ADAMS

Cashier of the American Exchange National, Dallas, retiring President of the Texas Bankers' Association. He presided during the Fort Worth Convention. His address points out some much needed reforms in the handling of cotton, as well as some promising remedies.

management, it will prove to be a powerful and resourceful means of safeguarding the entire commercial and financial interests of this republic, although, under improper or inefficient management, its operation could be perverted to the serious detriment of these interests and the welfare of the public at large. So I sincerely hope that there will be no tendency on the part of the bankers to abuse its great privileges, but that the same conservative banking methods which have characterized the members of this association in the past will be scrupulously continued; for, in my opinion, the basic purpose of the law is that the funds to be stored in the twelve regional banks should constitute an immense reservoir of credit and banking power to be used for the legitimate needs of the conservative banker, and not as a medium of reckless inflation or excessive expansion of credits. It was clearly intended to encourage the investment of our funds in liquid assets, as a basis upon which the future bank notes of the country can be safely and wisely issued. With this thought in our minds, and with the determination to keep our paper in a sound and liquid condition, we shall have a new feeling of security, a new spirit of confidence in the fact that we need never again fear the financial stringencies which have periodically visited us in the past.

New System Must Not Disturb Co-Operative Effort.

It is to be hoped that the new system will disturb as little as possible the present relations between the country bankers and the reserve city bankers; because, in my opinion, a perfect co-operation between them in the movement of any great crop is essential to its success. Whatever hampers the financial machinery used in marketing a commodity also affects the price of that commodity; therefore it is evident that every vocation of life is interested in this phase of the situation. It goes without saying that, in the past, the reserve city bankers of the United States have consistently extended credits to customers who were entitled to them with the fullest measure of liberality possible under the handicaps of a rigid and unresponsive financial system.

The powers of the Federal Reserve Board are of great magnitude, and rightfully so; and upon the men who are appointed to this Board by the President of the United States, together with the Secretary of the Treasury and Comptroller of Currency, rests the success or failure of this system. It is my belief that they will be men of such character and ability as to command the confidence of our entire citizenship.

While I am on this subject I desire to call attention to the fact that the bankers of the Eleventh Federal Reserve District will soon be called upon to elect six of the nine directors of the Dallas Regional Bank. Great care should be exercised in selecting these directors, and they should be chosen primarily on account of their banking ability and business experience, rather than upon popularity alone.

As to the changes which are needed in our present laws, in order to perfect the operation of the new system, I would like to call attention to two amendments which are worthy of our consideration at this time. One of them relates to the Federal Reserve Act, and the other to the State Bank Law of Texas.

Texas State Banks Should Join.

If the Federal Reserve Act could be so amended as to fix the maximum rate of interest which member banks would be permitted to pay their correspondents on daily balances, I believe that Congress and the Federal Reserve Board should, in the interest of conservative banking, give the matter their immediate and careful attention.

The other matter is a duty which we plainly owe to those of our State banks who are desirous of securing the advantages afforded by membership in the new system. It is very gratifying to know that the Commissioner of Insurance and Banking of this State has given his hearty endorsement to the Federal Reserve Association; has recommended to the State banks of Texas that they join this association; and will at the first meeting of the Legislature recommend an amendment to the State Banking Law which will grant to those State banks which join the new system a reduction in their reserve requirements to conform to the reserve requirements of the national banks.

Right here I desire to submit the suggestion that within the next twelve months conditions would justify the organization of a banking association comprising the banks of the entire Eleventh Federal Reserve District, because our interests are now identical with those of all members of this district. A State boundary is only an imaginary line, and after all we are one and the same.

people, and being joint stockholders in this great bank will mean more to us when we use this association to become better acquainted with each other and more familiar with the conditions that exist throughout the entire district.

Remove Obstacles; Let Texas Develop

Another important event which will still further broaden the horizon of our commercial activities will soon be consummated in the opening of the Panama Canal. With the ensuing changes in the routing of the world's commerce, it is impossible at this time to estimate the benefits which will accrue not only to the city of Galveston, which already ranks second among the important ports, but to the entire Southwest. We are certainly to be congratulated, as this work nears completion, upon this mighty achievement of the American people.

With such auspicious prospects for the growth of our section, it seems to me that we should give more serious thought than ever to the obstacles which interfere with its development. On account of the fact that our state is constantly looking for the investment of new capital within its borders, I believe that it is the duty of every banker and business man in the State to take a sound and active interest in its political affairs. In every community the banker is a man of influence and a natural source of advice for all interests. He should therefore give sincere consideration to the public questions that vitally affect the interests of the community. We know that on account of the severe floods in 1913, the railroad interests have suffered heavy damages to their properties; and when you consider the fact that the railroads of the country purchase sixty percent of the lumber, forty percent of the steel and iron, and from ten to sixty percent of various other manufactured articles, it is easy to see that without prosperity for them there can be no real prosperity for the country. There is now pending before the Interstate Commerce Commission an application for a small increase in freight rates. I venture the assertion that, should the application be granted, there will not be a man, woman or child in the country who will know the difference; and yet, in my opinion, upon the granting of this increase largely depends the future growth and development of the railroad and business interests of America.

Texas Must Not Frighten Outside Capital Away.

We must bear in mind that the continued persecution of the corporations within the borders of our own great commonwealth tends only to frighten capital away. It should be frowned upon by every man who has the interests of his State at heart, and I hope that the bankers of Texas will lend their support and influence to the enactment of sound and sane legislation upon this subject, and endeavor to send such men to Austin as will carry out this idea.

In view of the vital interest which this association has in handling cotton, I am going to offer a few suggestions, and in doing so, I want it understood that the ambition of my life is, and always has been, to bring about an improvement in the methods of handling the one great crop of the South, which annually produces more money than any other one thing with which we have to deal.

Cotton Handling Reforms Needed.

Looking back over an experience of twenty-five years in the banking business in this State, it occurs to me

that wherever the eye turns you can see improved methods used in everything except the handling of cotton. In farming, the new agricultural implements have made it easy, compared to what it was twenty-five years ago. There is not a merchant in the State who is doing business on the same lines now that he was at that time. There is not a corporation in the State whose present methods are the same as those used then. But when it comes to handling bales of cotton,—these "fifty dollar gold pices," it is to be regretted that they are being handled with the same loose and careless methods that were in vogue in those days, when we had no such system of transportation as we have today. We then had no banking facilities which would compare with what we have today, and I think that it is high time for us, as bankers handling the trusted funds of our depositors, to see that the methods of handling cotton are improved.

It is easy for us to sit back and say that it is impossible to do it. But I have found that anything is worth doing, is worth attempting; and it goes without saying that if we attempt no forward step it will be impossible to make any improvement in the method of handling cotton.

Statistics on Damage to Stored Cotton.

The gravity of the situation is brought forcibly to our attention by the statistics which have been published showing the country damage reported on cotton for the period beginning September 1st, 1913, and ending March 1st, 1914. In our own State, out of 2,725,000 bales handled through the ports of Galveston, Aransas Pass, Texas City and Port Arthur, according to the figures of the Maritime Association, the country damage was, on 1,190,000 bales; while in the port of New Orleans, handling 1,252,000 bales in the same period, there was country damage on only 42,288 bales. Through the port of Mobile, the country damage was on 5,502 bales out of a maximum of 324,325 bales. Through the port of Savannah, there was handled 1,011,300 bales, and country damage was reported on only 5,855 bales.

These figures should mean something to you gentlemen who are interested in your respective committees, as your farmers are necessarily the ones who "pay the freight."

In the report on the 2,224,074 bales handled through Galveston, the inspection covered the following points:

	Bales
Insufficient density	2,093
Country damage	985,913
Spider Bands	56,521
Not Thoroughly Covered	564,075
Total Exceptions	1,854,731

"Country damage" includes "WET, MUDDY, RUSTY, OILY, GREASY, STAINED, SOILED AND ALL OTHER DAMAGE."

Cotton Yard Generally a Mud Hole.

It is a notorious fact that in most communities the cotton yard is known as the largest mud hole in the town. There has been a great deal of agitation in reference to establishing a warehouse system in our State. Under date of February 6th there appeared a newspaper article which stated that the Commissioner of Insurance and Banking had ruled that private warehousemen are also subject to the act of the last Legislature providing for supervision of public warehouses

by the Department of Insurance and Banking. This ruling, however, was abrogated by a ruling of the Attorney General which appeared in a telegram under date of March 21st, as follows:

"In an opinion rendered by the Attorney General's Department on the Warehouse Act of the Thirty-third Legislature, the Commissioner of Insurance and Banking was advised that only warehousemen who choose to come under the provisions and terms of said chapter as public warehousemen are compelled to operate under the provisions of such law."

Bankers Must Get Behind Warehouse Law.

Realizing that the first step towards improving the handling of cotton must come from the country yards, it is my opinion that the bankers of Texas should earnestly advocate that the Warehouse Law of the 33rd Legislature be amended so as to provide that private warehousemen should come under the provisions of this act, and by proper legislation, be compelled to provide a yard, covered by a shed, for warehousing cotton stored with them, and to issue a uniform receipt for such cotton, and to put up a bond with the State Treasurer at Austin for the protection of that receipt, the law to fix a just and reasonable compensation for so doing.

When this is done, there will no longer be any use for a warehouse other than the one provided for in this amendment. Take for example a farmer bringing say six bales of cotton to town. If he does not desire to sell it he can take it to this yard, obtain for it a receipt which would fully protect him, and be able to borrow on that receipt, from his local banker, a reasonable amount against the cotton thus stored.

The cost of these warehouses should be the least consideration, as the figures which I have shown you in regard to country damage represent a loss of not less than ten to twelve million dollars, which is entirely paid by the farmer of this State. The business interests of every town and city in Texas could well afford to organize a company for building these warehouses and while it might tend to do away with the Public Weigher in each county, it would provide a safe and sane manner for the marketing of this great crop, and no political office should be allowed to stand in the way of its complete success.

Railroads Should Own Compresses.

It is my opinion that the compresses should be owned and operated by the railroad interests. This thought may be foreign to the minds of many of you, but when you stop to consider it, the compressing of cotton is as large a part of the transportation facilities as any other feature of shipping it. If the compresses were owned by the railroads of the State the responsibility would be fixed. They would be responsible for the cotton originating at a point where there was no compress, and that responsibility would continue until it was loaded on the ships at the port.

At present the compresses in this State are owned largely by private interests. They have been operated entirely for profit, without any consideration for the handling of the staple except to pay themselves dividends. Every one of them is operated at the least possible expense, and without any regard for the welfare of the cotton after it reaches the platform. I predicted in San Antonio three years ago that the time would come when every compress in Texas would have a cover over it, and I am glad to report to you that at

a meeting held in Dallas not long ago the large compress interest stated that they would begin this season to place covers over the compresses, so that we would not be held up for an indefinite period of time in the shipment of this crop when it happened to be drizzling rain.

Compress Receipts Should Be Uniform.

In addition, however, to the covering of their sheds, a compress is no more nor less than a warehouse, and they should be required to file with the State Treasurer a bond protecting the receipts which they issue, and the receipts should be uniform in character, and should stand for something more than a compress in the event you had to call on them for the delivery of the cotton.

The remarkable fact in all this cotton business is that we have entailed so few losses. This is due absolutely to the honor and integrity of the men who have had this business in charge. However, the fact that we have been able to escape a serious loss on account of this fortunate circumstance should not cause us to overlook the fact that we owe it to ourselves and to our depositors to begin at once to work for a method which we believe would in every way protect their interests and ours and I hope that this association will at this meeting lend their co-operation and support to the furtherance of these plans.

I believe that great good can be accomplished during the coming season by the appointment of a committee of bankers to take the matter up at an early date with the Railroad Commission of this State and endeavor to have them establish the "merit system" among the compresses of the State, and give the cotton exporter the right to take cotton to that compress which will give him service and shelter for it, and at the same time have a financial responsibility behind it which means something.

Should Support Insurance Companies.

You know that under our insurance laws, the insurance rates are fixed on a basic principle. It seems to me that one of the first considerations which will tend to make our position strong will be the active support of the insurance companies, by giving to those compresses which are well protected from fire and free from country damage the best insurance rates possible, based on the same principal by which they give the best insurance rates to the business man who has fire protection for his building, in contrast with those who do business in the shacks of the community.

I know that it is a stupendous undertaking to educate the farmers, business men and bankers in regard to the task before us. But because it is a stupendous undertaking is no reason why we should say that it cannot be done.

I have been requested to take up one other matter incident to the cotton business; and that is the Comptroller's ruling in regard to excessive loans. I realize that the country banks are confronted with a hard problem in complying with this ruling. I realize that it is difficult for them to secure the acceptances within the meaning of the law, as required by the Comptroller's Department. As I understand it, the Comptroller now rules that as long as you hold, as your evidence of indebtedness, the actual piece of paper,—either note or accepted draft,—which was given by the buyer to the seller in a bona fide transaction for a commodity, representing the whole or a part of the purchase price of the

commodity, such paper is not subject to the limitations of Section 5200 of the United States Statutes.

It has been suggested that there should be appointed at this meeting a committee to be sent to Washington, for the purpose of taking up with the Comptroller the question of cotton and grain loans, and endeavoring to devise a plan which will be satisfactory both to the Comptroller and to the banks; and at the proper time a motion to that effect will be entertained.

Texas Oil Industry is Looming Up.

I think we are to be congratulated upon the fact that Texas is now fourth in the production of oil in the United States. Its mineral resources have hardly been touched. The average value per acre of the twelve leading crops of Texas in 1913 was \$18.52, while the average for the Continental United States for the same crops was only \$16.31. These crops constitute corn, wheat, oats, barley, rye, buckwheat, potatoes, hay, flaxseed, cotton, rice and tobacco, and represent more than ninety per cent of the total of all crops. Texas also compares favorably with some of the other leading agricultural States. Indiana's average for the year was \$17.21; Illinois \$14.87; Iowa \$17.01, and Missouri \$12.29.

The Texas average for these crops during the four years prior to 1913 has been as follows: 1909, \$15.50; 1910, \$17.87; 1911, \$13.97; 1912, \$19.50. The decrease in 1913 was occasioned, of course, by the fact that we not only had a very severe drought from the 15th day of May to the 15th day of September, but that this drought was followed by rains which came at the time for gathering our great cotton crop, and continued in an unprecedented manner until during the month of January, 1914.

At the same time, I believe that the business conditions of Texas as a whole are good, and I congratulate you upon living in a State that is second to none in the Union in agricultural production, and that is rapidly gaining in educational facilities, manufacturing enterprises and commercial growth.

Secretary Hoopes Commended.

Before I close I desire to call attention to the fact that during my term of office I have received the active and loyal co-operation of Mr. J. W. Hoopes, our efficient secretary. He joins me in urging that the members of our association should feel free at all times to take advantage of the privileges of their membership, as their interest and co-operation is absolutely essential to its success. It is to be hoped that they will not hesitate to ask for information on any subject, and to

report all matters pertaining to the welfare of the association to the secretary whenever they so desire. The association and its benefits belong to its membership, and should be used by them with the greatest freedom.

I am sure that the work of our Protective Department has been of such character as to merit the approval of the membership, and it occurs to me that this alone would be sufficient reason for every bank and banker in the State to become a member.

The TEXAS BANKERS RECORD, which is sent to all members gratis, and whose successful work has been largely developed under the management of the secretary and the editor, Mr. Philpott, is another reason why all the bankers of the State should feel it to their interest to join the association.

The work of the Agricultural Committee, of which Mr. Joseph Hirsch of Corpus Christi is chairman, should receive our most active and cordial support. The banking and business interests of this State are largely dependent upon the future improvements in farming for their prosperity, and this committee should be furnished with funds with which to carry on this work. It has been hampered during the past year for lack of funds, and I have no doubt that the chairman of the committee has often felt discouraged; but the Executive Committee has had no authority to provide them with the money to carry on the work. I believe that when you hear his report you will agree with me that the thanks of this association are due him for his faithful and efficient interest in this matter, which has never faltered, although it must have appeared to him at times that he lacked the active co-operation of the membership of this association, and no better thing could be done at this meeting than to provide a fund with which to carry on the work of this committee along logical lines.

*

Before closing, I have one other matter to mention and that is in connection with the membership in the American Bankers Association. Mr. Webb, of San Angelo, told me last night that the Texas membership in the American Bankers Association at this time is 468, and that if we can get a membership of five hundred, it would give us another member on the Executive Council of the American Bankers Association.

I believe that the benefits of the American Bankers Association are great. Some of you who are not members might, at this time consider it and join us and help us to be one of the largest states in the Union, on that Board.

In conclusion I want to express my sincere thanks to the Executive Officers of this Association, and the Committees, for their active and efficient co-operation during the year. (Applause.)

*

President Adams—The Secretary asks me to announce that his Report has been printed and handed around and that he will not further take up your time by reading it, and the Report of the Detective will be handled in the same manner.

VAN ZANDT & COMPANY

Auditors—Accountants

Specialists in Cost Analysis

BUSCH BLDG.

DALLAS, TEX.

REPORT OF THE SECRETARY

BY J. W. HOOPEES, VICE-PRESIDENT AND CASHIER OF THE CITY NATIONAL BANK, GALVESTON.

TO THE Members of the Texas Bankers' Association: After having served this Association as Secretary for seven years, I am still unable to find any real legal excuse for a Secretary's report. I feel that the members hear from this office frequently enough during the year not to require what is little more than repetition at the annual convention. We are here to learn things and for pleasure and I am firm in the conviction that no report that I can make would be of assistance along either of these lines. Something, however, will add to the pleasure of the occasion by following out the usual custom of printing the report and not reading it.

We have taken an unusual step this year in dispensing with the usual formal addresses of welcome and responses. The Executive Committee felt free to make this change in the program in view of the fact that every banker in Texas knows the Fort Worth bankers and Fort Worth citizens and knows what a warm welcome awaits every stranger that enters the gates of this hospitable city.

Membership.

The usual active campaign for new members has been kept up this year and the Secretary's office has been materially assisted by the various district chairmen. Consolidations and liquidations, however, have almost kept pace in number with the new members we have been able to enroll.

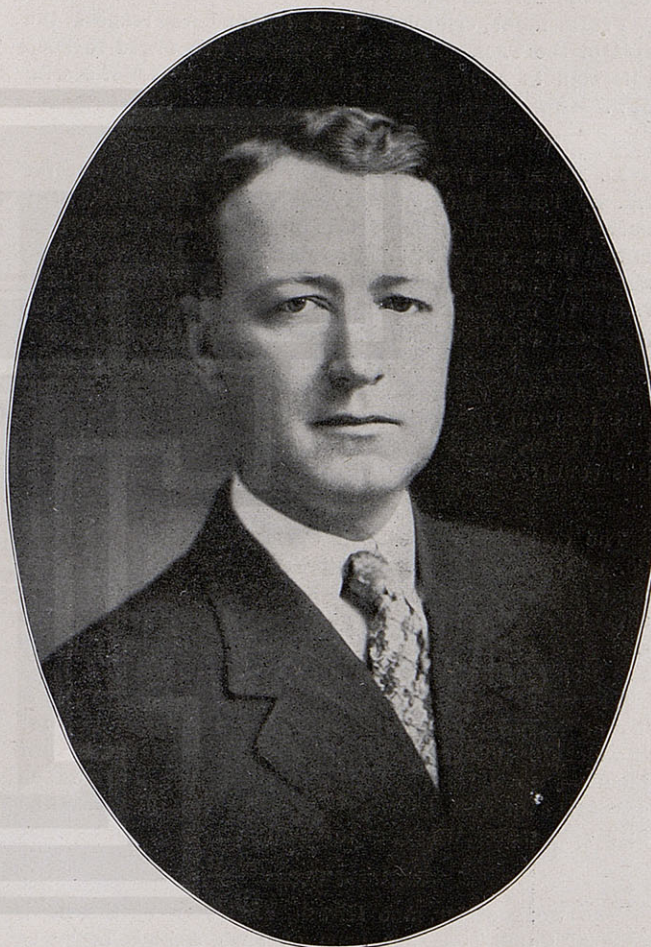
Last year we reported a membership of 1337 members, this year the membership totals 1388. The number of banks that might properly be called "black sheep," who are outside of the fold, still runs in the neighborhood of two hundred. One of the greatest personal ambitions I have ever had was to keep pace with some of our sister organizations and report all banks in the State members of the Association, yet with the sincere and hearty co-operation of the district chairman, to which I have referred to above, this has not been made possible. I am especially gratified in saying, however, that only two of our members had written this year that they desired to discontinue their membership, and we hope still to convince them of the error of their ways.

Texas Bankers Record.

The Texas Bankers Record, your official publication, ordered by this Association at its Dallas meeting in 1911, has, under the able pilotage of W. A. Philpott, Jr., its editor, been able to pay its own expenses, and make a small profit.

It has not been the aim of the Executive Committee for this to be a money making proposition, rather that the income should be devoted making it a better paper and more valuable to our members.

In this connection let me say that any suggestion that comes to the minds of the members in reference to the paper would be thankfully received by its management, and the members are urged to make these suggestions freely and frankly.



J. W. HOOPEES

Vice-President and Cashier City National Bank of Galveston, who was chosen to succeed himself as Secretary of the Association. Mr. Hoopes is also Treasurer of the American Bankers' Association.

The receipts from the Record have been	\$8,363.78
The disbursements have been	7,919.18
	<hr/>
	\$ 444.60

Outstanding accounts for March issue\$118.00

Outstanding accounts for April issue after deducting the cost of said issue 466.00

In addition to this the paper should be given credit for saving the Association the expense of publishing the Year Book. This Book heretofore has cost from \$700 to \$900; also a saving in expense for printing various bulletins, etc.

Protective Department.

The Protective Department has been unusually busy. The services rendered by Captain W. A. Boyd, chief

detective, have been efficient indeed. It is to be regretted that the finances of the Association are such as to prevent the use of more money for this work. Attention is requested to the report of the detective, which will be made to this convention, by which it will be noted that if this department were given credit for stolen money it has recovered and returned to our members, it would indicate that our protective feature is a very desirable investment.

Professional criminals have learned to respect the sign of the T. B. A. and our members are urged to keep this sign in a prominent place over their teller's window.

Burglary Insurance—Fidelity Bonds.

As stated in previous reports the representation for fidelity bonds and burglary insurance has necessarily been a personal one, as this organization is not permitted to act as an agent for these companies. The commissions on this business have been donated by the Secretary to the Association and they aggregated for the past year \$1,038.48, which shows a slight increase over last year. Several of the States show earnings from seven to nine times this amount, but I feel reasonably sure that our members make quite a saving in the matter of rates, which are as low as they are anywhere in this country.

Typewriter Contracts.

The contracts made with the Remington Typewriter Co. and the Underwood Typewriter Co. for furnishing machines to our members at a discount, has been taken advantage of quite frequently, and has resulted in a saving of \$1216.00 to our members, for which the Association gets no direct credit.

The same applies to the contract with the Yale & Towne Manufacturing Co. and J. M. Mossman Co. for the cleaning and guaranteeing of the time-locks of our members. A large per cent of our members have taken advantage of this contract and this, too, has resulted in a very material saving to them.

Agricultural Committee.

The work of Mr. Joe Hirsch, chairman of the Agricultural Committee, has been of such a high order as to bring him into national prominence and resulted in him being appointed by the American Bankers' Association, at their Boston meeting, as a member of their Agricultural Committee, and his work calls forth favorable comment by a number of the leading financial journals of the country.

The Texas Association is fortunate, indeed, to have the services of "Farmer Joe", and if the members will only lend him their hearty co-operation, I feel safe in saying that the financial benefit that would redound to the State would amount to hundreds of thousands of dollars annually.

The Texas State Bankers' Association owes it to themselves and their State to help in this great work. The usual question of finances has handicapped the work of the Agricultural Committee, and I cannot urge too strongly the necessity of placing in their hands sufficient funds to enable them to properly prosecute their labors.

Group Meetings.

The Group Meetings were held in February, according to the usual custom. They were unusually interesting and well attended. These meetings give excep-

tionally fine opportunity for all members to become personally acquainted and all members should attend every year the meetings of their districts.

Expense.

The Treasurer in his report hereto annexed, will give a detailed statement of the receipts and disbursements for the current year ending May 5th, 1914. For the information of the members I wish to submit the following:

Protective Department including rewards paid etc.	\$ 3,804.25
Amount paid out for the Record	7,919.18
Stamps used in the Secretary's office	242.90
Telegraph and telephone tolls	62.35
Printing, office supplies, stationery, etc	188.29
Expenses of executive, district and committee meetings	268.50
Salary of the Secretary	900.00
Salary of the Assistant Secretary	1,365.00
Paid note made by Association	1,500.00
Paid Galveston Clearing House for last convention	1,000.00
Miscellaneous, including stenographic report of the proceedings of the last convention, membership signs, etc.	243.05
Agricultural Committee	717.46
	<hr/>
	\$18,210.98

Conclusion.

In conclusion I want to again call your attention to the necessity, in my opinion, of the income of the Association being increased so as to permit the use of more funds in the protective Department, Agricultural Work, and the employment of a Secretary, at a salary sufficient to give his entire attention to the Secretary's office. This is a big organization and the field for work is so broad that the Secretary should be required to give his entire time and attention to the affairs of his office.

The co-operation of our members has been gratifying indeed and to them, as well as my brother officers, I desire to offer my sincere and hearty thanks. Respectfully submitted,

J. W. HOOPES,
Secretary.

Fort Worth, Texas, May 5th, 1914.

TREASURER'S REPORT.

To the President, Officers and Members of the Texas Bankers' Association:

Gentlemen—The following report of the receipts and disbursements as Treasurer, for the twelve months beginning May 16th, 1913, and ending May 5th, 1914, is respectfully submitted:

Balance placed in my hands by former Treasurer	\$ 3,553.19
Amount received from dues	9,964.40
Amount received from Texas Bankers Record	8,363.78
Amount received from J. W. Hoopes, personally	1,038.48
Amount received from J. W. Hoopes, detective account	276.82
	<hr/>
	\$23,196.67

Disbursements.

Total disbursements as per vouchers, being vouchers Nos. 1384 to 1581, both numbers inclusive\$18,210.98

Balance on hand.....\$ 4,985.69

Respectfully submitted,
T. B. BENSON,
Treasurer.

Bartlett, Texas, May 5th, 1914.

DETECTIVE'S REPORT.

To the Members of the Texas Bankers' Association, Fort Worth, Texas.

As detective of your Association, I beg to submit the following report of my work since the meeting of your convention at Galveston, May, 1913:

Cases reported since May 1913	46
Of the above there are—	
Forgery cases	20
Swindling cases	24
Check raising cases	1
Safe blowing cases	1
As appears from Exhibit "A" there have been arrested	22
As appears from Exhibit "B" there have been convictions	6
Cases pending	17
Acquittals	10
Bonds forfeited	2

As will appear from Exhibit "C" there has been money stolen from the members of the Texas Bankers' Association by the use of forged and fraudulent checks in the sum of \$2,650.00. Of this amount I have recovered \$800.00.

In addition to this I have recovered \$4,000.00 that was stolen prior to this year. One thousand dollars of this was stolen over five years ago; \$3,000 of it was stolen over two years ago.

Exhibit "A."

The following is a list of names of parties arrested, and the place of trial:

No. 360, Harry Bloecher, wanted at Midland, Texas.
No. 281, R. L. Hatler, wanted at Fort Worth, Texas.
No. 81, T. J. Whatley, wanted at Marlin, Texas.
No. 257, Bert Humphrey, wanted at Seminole, Texas.
No. 362, La Perez, wanted at Marfa, Texas.
No. 363, S. E. Wilson, wanted at San Antonio, Texas.
No. 350, Deson, wanted at Carthage, Texas.
No. 355, W. H. Moseley, wanted at San Antonio, Texas.
No. 351, A. J. Ellenboger, wanted at Montgomery, Texas.
No. 343, N. G. Darnley, wanted at San Antonio, Texas.
No. 329, C. B. Heines, wanted at San Antonio, Texas.
No. 322, John Posey, wanted at Paris, Texas.
No. 334, Matty Ard, wanted at Fort Worth, Texas.
No. 320, J. C. Gray, wanted at Belton, Texas, and other places.
No. 331, Charles Weimer, wanted at San Antonio, Texas.
No. 315, Al J. Garrett, wanted at Midland, Texas.
No. 311, D. F. McMahan, wanted at Mineral Wells, Texas.

No. 216, A. D. Finney, wanted at Bandera, Texas.
No. 318, Harry Henderson, wanted at San Antonio, Texas.
No. 364, W. O. Brown, wanted at San Antonio, Texas.
No. 365, Johnston, wanted at San Antonio, Texas.
No. 366, F. Kilsheimer, wanted at Waxahachie, Texas, and other places.

Exhibit "B".

The following are the names of those convicted:

Sam F. Turner, Greenville, McKinney and other places; No. 363, S. E. Wilson; No. 343, N. G. Darnley; No. 350, Deson; No. 315, Al J. Garrett; No. 331, Charles Weimer.

Cases Pending.

No. 360, Harry Bloecher; No. 281, R. L. Hessler; No. 81, T. J. Whatley; No. 257, Bert Humphrey; No. 316, Lopez; No. 351, A. J. Ellenboger; No. 329, C. B. Heines; No. 322, John Posey; No. 320, J. C. Gray; No. 216, A. D. Feeney; No. 355, W. H. Moseley; No. 334, Matty Ard; No. 209, George Hunter, Greenville, Texas; No. 365, Johnston; No. 289, W. A. Homer, Decatur; No. 297, J. J. Rich; Fort Worth, Texas; No. 364, W. O. Brown, San Antonio, Texas.

Acquittals.

No. 366, F. Kilsheimer, Waxahachie, Texas; No. 271, J. J. Humphrey, Wichita Falls, Texas; No. 274, Frank Ware, Houston, Texas; No. 21, P. E. Hardegree, Greenville, Texas; No. 292, H. J. Johnson, San Antonio, Texas; No. 293, A. R. Reed, Bay City, Texas; No. 294, Frank Myers, alias K. Y. Monk and George Winfield, alias Doss, San Marcos, Texas; No. 310, J. W. F. Callahan; No. 308, T. R. Dewberry; No. 313, C. D. Mitchell.

Exhibit "C."

You will note from Exhibit "C" that the members of the Association this year have lost \$2,650.00. I am glad to say that this is the smallest loss that we have had in any one year since I began to work for the Association, nine years ago. At that time we only had 350 members, and there were more cases reported, and the losses were heavier when we had only 350 members than it has been this year when we have nearly 1,400 members. Nearly all the money that has been secured by forged and fraudulent checks this year has been in amounts running from \$15 to \$100, and has been gotten by what I term amateurs. I have had only one professional criminal operating in Texas this year—that is on members of the Texas Bankers' Association. He was able to cash \$850.00 worth of forged certified checks. I have him arrested and convicted.

You will note that I recovered \$800.00 of the \$2,650 that was stolen. In other words, I have recovered about one-third of the money stolen. And I have recovered \$4,000 that was stolen previous to this year.

From the information that I gather, the saloon men in any one city in the state will lose three times the amount of money on forged and fraudulent checks that the 1,400 banks who are members of the Texas Bankers' Association. In other words, the smart and intelligent crooks who are able to keep posted, and are able to be members of the "Crooks' Association," who keep their attorneys employed by the year, know that they can make more money stealing from somebody else than they can from the members of the Texas Bank-

ers' Association. Of course the amateurs that forge \$25 and \$50 checks are hard to hedge against, as you can never tell when they are going to begin work.

Another thing that I am proud to report is that we have had only one safe blown where the banks were members of the Texas Bankers' Association, in the last twelve months, and I have caught one of these men and know who the other three are, and hold warrants for them. From newspaper clippings, and other information I am able to get, there have been something like thirty or forty safes blown in Texas this year by the use of nitro-glycerine, but these are safes of merchants and postoffices, and banks that are not members of the Association. I notice from newspaper reports that banks in other states have lost heavily this winter from the yeggs, especially Georgia, Louisiana, Arkansas, Oklahoma and Kentucky. And another thing that I feel proud of is that we have had one daylight robbery in the nine years I have been with the Association. Have just caught one of the men that was in that robbery this year, and I think we are the only state in the Union who do not have frequent daylight robberies. I find it cheaper to keep the thieves out of the state, especially off the members of the Texas Bankers' Association, than it is to catch and convict them after they commit the crime.

The autograph book trick man came into the state this year to work, and secured the signatures of several substantial business men and farmers in different parts of the state, but I got the information in regard to it before they had had time to cash any of their checks, and from what I can find out I do not think they will attempt to cash the checks, but they may later on, after they think we have forgotten about it. I have the names of several people who have signed these checks, and have found what banks they do business with, and have notified the banks of the fact.

My expense account has averaged this year something over \$200 a month. I file an itemized account with Mr. Hoopes, Secretary of the Association, at the end of each month. I have collected from the state and turned in to the Secretary of the Association \$276.82. This is witness fees, mileage and handling prisoners. A good deal of my expense account is paid out as rewards and for assistance.

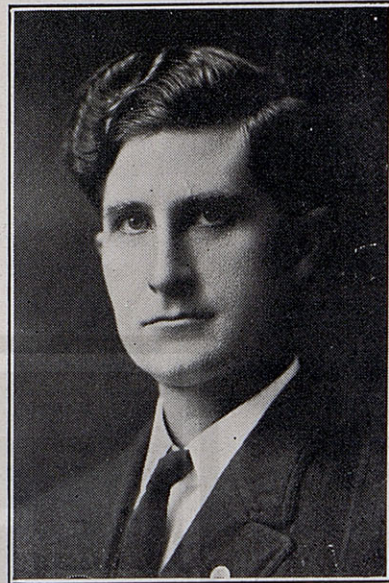
Respectfully submitted,
W. A. BOYD,
Detective for Texas Bankers Association.

What is the pleasure of the Convention in regard to the reports?

A Member—I move that it be adopted. (Motion seconded and carried.)

President Adams—I want to announce that the Star-Telegram, in order that the future detectives may have something to go by, wants to take the picture of this crowd as you leave this Convention Hall. The Star-Telegram wants your picture and has asked you to wait just a minute when the Convention adjourns.

We will now have the reports from the District Chairman. We will hear the report of District Chairman, Robert J. Eckhardt, of District No. 3.



W. W. WOODSON

Cashier Central Texas Exchange National Bank, Waco, Chairman of the Fourth District, Texas Bankers' Association. Mr. Woodson is one of the best known bankers in the State; his institution stands for all that is safe and conservative and progressive, and its growth and increasing importance is a tribute to the ability of just such self-made men as Mr. Woodson.

Mr. Robert J. Eckhardt of Taylor—Mr. Chairman, Fellow Bankers, Ladies and Gentlemen:

As Chairman of District No. 3, I beg to report that I believe we have as many members, comparing the number of banks in our District, with the population, to the Texas Bankers Association, as any District in the State. I believe that at our meeting we tried as hard to convince those who are not members, to come in and join us and help out the Association, as any bunch ever did.

We had our gathering at Taylor this year, and all those who were present reported a good time, except Mr. Hoopes; Hoopes was very disagreeably surprised by Mr. Folts bringing his wife up there unbeknown to him; Hoopes had a grouch on all day. (Laughter) But he got over it.

Next on the program was Joe Hirsch. Joe Hirsch took lunch up stairs in one of the sleepers; he thought he was in a hotel when he arrived in Taylor, because there was a band there, and in the big hotels in Corpus Christi, he had been used to the band playing while he eats, and we marched the band through the car and he said to Kleberg, he says, "Let's go up stairs and get something to eat." (Applause.)

As a whole though, the entire meeting there was a success, pronounced so by those who were present, and the little City of Taylor felt very proud of it, and should it ever be our good fortune to have the bankers meet with us again, I hope all the bankers will come, because I believe those who

were there had plenty and there was plenty left.

The three minutes is up and I thank you. (Applause.)

President Adams—Is Mr. McAshan, of Waco, in the Hall or Mr. Woodson, of Waco?

Mr W. W. Woodson, of Waco—I am sorry Mr. McAshan is not with us this morning, but if he were here, he would probably tell you that while the meeting was a great success and well attended, yet that the bankers were operating under somewhat of a strain that day, because the District meeting unfortunately fell on election day and some of our institutions were closed. (Laughter.) But we assure the San Angelo district that we sent the bankers down there to them in good shape from Waco and if they got into trouble down there, it was not our fault.

We had a very delightful meeting; we had a splendid address on rural credits, but the topic that interested us most, as touched on by our president, was the handling of the cotton crop. I believe it was the unanimous decision of our District meeting that the bankers ought to go out of the cotton business; that while there was an obligation resting upon the bankers to help move this great cotton crop, that the obligation did not justify the banker in resigning his position as cashier and turning the assets of his bank over to the cotton man to speculate on or in becoming the bookkeeper and keeping the accounts of the cotton man.

We found out that a great many of our bankers in the cotton district had suffered somewhat from handling the cotton crop during the past year. I have been informed by reliable sources that last year something like a million dollars had to be charged off by the bankers of Texas, or be lost by their customers.

I am glad Mr. Adams has touched on that subject and I hope we will hear more upon it, because it is very vital in the cotton season.

We enjoyed the proceedings of the bankers, as we always do, and we expect to have them again at the next convention. (Applause.)

President Adams—We have with us a banker, who is also a farmer, Mr. Dew, of District No. 6. (Applause.)

Mr. Dew of Goldthwaite—I want to say for the benefit of Mr. Woodson, that the bankers got to San Angelo all right. (Laughter.) It was not my town, and if it were not for the fact that we were visitors there, I would not make the report. They could hardly wait for five o'clock in the morning to come; they were all lined up and down the street

and when the hour for opening came, they were ready.

After we got to San Angelo we turned our meeting into a Farmers' Congress. We are very much interested out there in the development of better farming methods, and through the continual preaching of our good friend Joe Hirsch, and the assistance of the Committee on Agriculture which this Association maintains, nearly every county in our District has a farm demonstrator. We are learning to conserve our moisture, and I am in hopes and I believe that three years from now, if you folks come out there, you will see us making crops on the good fall we have had thus far this year, and we are going to so develop along that line, that we are going to show you a splendid specimen of grape fruit growing on a spineless cactus or prickly pear. (Laughter.) We are going to give you peaches plucked off of a mesquite tree just any old time of the year. (Laughter.)

Now, that is all I can tell you. We were there. I don't know where we will go next year—to Coleman. We will do more for you next year.

I thank you. (Applause.)

President Adams—On account of the fact that Mr. Law is not here and Mr. Wells is unable to come and tell you how this new banking system is going to operate, we are now going to call upon Mr. Fred W. Ellsworth, Manager of the Department of Publicity and New Business, of the Guaranty Trust Company, of New York City, who will talk to you on "The Banker as an Educator." (Applause.) I am sure you will enjoy it.

Mr Fred W. Ellsworth—Mr. President, Members of the Texas Bankers Association, Ladies and Gentlemen:

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THE BANKER AS AN EDUCATOR

BY FRED W. ELLSWORTH, MANAGER DEPARTMENT OF PUBLICITY AND NEW BUSINESS, GUARANTY TRUST COMPANY, NEW YORK.

SINCE the Organization Committee of the Federal Reserve System established the various districts, the bankers of New York feel a little bit small, and when they come down to Texas for the first time, as I have today, it makes them feel very much smaller; I traveled through the State of Texas for quite a number of hours yesterday and then being told this morning that I had just got to the edge of the State it is apt to make a fellow feel very small, especially when he comes from a State that you can cross in a few hours.

Now, the business of coming to Texas reminds me of a man who came down here one time on the advice of his physician; he was in pretty bad shape; he was pretty well along in years and he was feeling pretty bad; he had been to his physician several times and his physician says, "I will tell you what you ought to do; you are getting to the time of year where you need toning up and I would suggest that you go down into Texas, where they have a pretty good climate." So he came down into Texas—I don't know whether he came to Fort Worth or Dallas or Galveston, but he came to Texas, anyhow, and after he had been here about two weeks, he wrote back home to his wife and he says, "Maria, this climate down here in Texas is just simply remarkable; I feel ten years younger than I did when I left home." After he had been down here about two weeks longer, he wrote again and says, "Maria this climate down here is certainly remarkable; it is wonderful. I feel twenty years younger than I did when I left home." After he had been down here about two weeks longer, he wrote again, and he says, "Maria, this climate has got everything beat that I have ever seen or experienced anywhere in the world. I feel thirty years younger than I did when I left home." About two weeks later his wife got a telegram from Texas, signed by the physician, who said, "Your husband is dead; cause, cholera infantum." (Laughter).

So much for the climate of Texas. I feel, as I told one of my friends this morning, like boxing up about two car loads of it and taking it home and putting it in my back yard. If I could do that, I would have everything beat, as far as a garden is concerned; I would have everybody in my neighborhood skinned a mile for months.

Going Outside for Proper Man.

Several years ago I was in the office of the executive head of one of the larger Pacific Coast banks. In the course of our conversation this man asked me what I knew about the ability and history of a certain clerk in his employ whom I had known for some years. "My reason for asking about him," said he, "is just this: we need another officer in our institution and in going over our entire force I have been unable to find a single employee who is qualified for this position except this young man, and I hesitate to appoint him because he has been with us only a few months and his preferment would arouse jealousy and discontent among the older



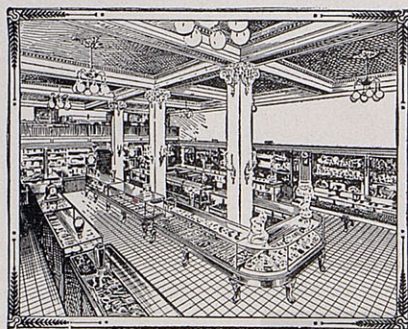
F. W. ELLSWORTH

employees. Now I don't know whether it is my fault or the fault of our men, but the fact remains that no one in this institution has fitted himself for an official position and I am, therefore, practically compelled either to go outside or else promote this comparatively new man."

Here is another similar instance: An eastern bank of considerable size found it necessary only a few years ago for the very same reason, to go outside of its own organization for an additional official. After a very thorough canvass of all the available men in the institution, not a single one measured up to the qualifications necessary for the position.

These examples are not by any means isolated cases but are duplicated time and time again in banking institutions from one end of the country to the other.

Why is it? What is the reason for this lack of preparation? It is just this condition of things which inspired certain members of the American Bankers Association back in 1900, at their annual convention in Richmond, to organize what is known as the American Institution of Banking, and by this means gradually to correct the condition which I have just described and thus establish in this country a new career for the banker, which is indicated by the title of this talk, "The Banker as an Educator."



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It is human nature for mankind to want to reform or help the other fellow. (The optimist, you know, is the chap who does not care what happens so long as it happens to the other fellow, and on the other hand the pessimist is the man who has to live with the optimist.) This universal trait is quite as prevalent among bankers as among other folks, and so we see the banker willing to educate the farmer, and the merchant, and the manufacturer. In all the newspapers in the land we read what is known as educational advertising, by means of which the banker hopes to educate the people to save money and to open checking accounts and to buy travelers checks, etc. It was only a little over a decade ago that a few bankers with their heads together trying to determine why it was that comparatively few of the men in our banks were really familiar with the fundamental principals of banking and finance, decided that it would be a first class idea to educate the bankers and bank men of our country. From this decision there developed the educational institution to which I have already referred and which has since grown to rather large proportions. The purpose of this institution is primarily and exclusively the theoretical and practical education of bankers and bank men in the principles of banking and economics and kindred subjects with the ultimate idea of developing a class of men capable of intelligently and efficiently and adequately handling our banking business.

City Chapters.

Let's see now just what means were employed to achieve this purpose. The greatest need for improvement existed in the cities and so the original program provided for the organization of local chapters in the principal centers. So successful has this feature of the work become that there are today chapters in more than eighty of our large cities, the total membership of which exceeds 15,000 men. The definite good which these chapters have actually accomplished is beyond computation and is not confined to the immediate benefit which individuals may have received by study and practice.

Correspondence Chapter.

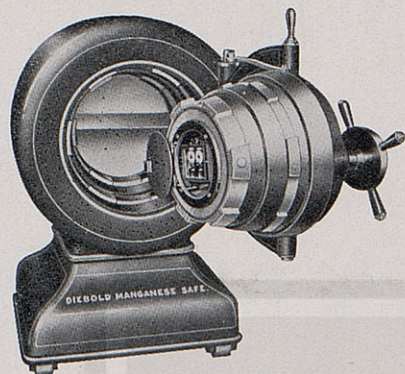
Soon after the organization of the city chapters was well under way provision was made for that still greater army of bank men who are employed in the smaller cities and towns where, because of lack of numbers, chapters are not practicable. This was accomplished by the formation of what is known as the Correspondence

Chapter—a nation wide school which conducts by correspondence the same identical study courses as are followed in most of the city chapters. The Correspondence Chapter has been incorporated. There are five directors: three of these are country bankers, the other two are the First Vice president of the American Bankers Association and the President of the American Institute of Banking, who are ex-officio members of the Board. The membership of the Correspondence Chapter now numbers more than one thousand men and is constantly growing. This means that over a thousand up-to-date, live wire Americans are by study and reading and investigation fitting themselves for larger opportunities and better positions in their chosen profession. And right here let me put in a word as to the efficiency of correspondence instruction. William R. Harper, late President of the University of Chicago, said that the work of the correspondence students of that great institution averaged higher than that of their resident students. If this is true of college students why is it not equally as true of students of banking?

Valuable Testimony.

Even when one considers the great work which the American Institute of Banking has accomplished in the past, and is now accomplishing, and will continue to accomplish in the future, I suppose there is still a sprinkling of skeptics who question its value. Those of you who are familiar with the early history of the Institute will remember that some bankers were absolutely opposed to the idea because they feared that it might develop into a labor union. This false notion of course was early disproved when it became evident that the sole purpose was the betterment of the members, to the co-operative benefit of both the banker and the bank man. Let me refer you briefly to what some well known men have said.

Mr. Charles H. Huttig, for instance, former President of the American Bankers Association, said: "I am pleased to see that the Institute Section, through its Correspondence Chapter, is extending its educational work outside of City Chapter classes. The bankers in the country are as ambitious as anybody else to improve their professional knowledge and efficiency, and since the utility of correspondence instruction has been demonstrated by leading universities, I see no reason why the Correspondence Chapter, furnishing as it does the same facilities to study classes in the city, should not have a membership of thousands * * *." I might add right here that Mr. Huttig was well qualified to recom-



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mend the Institute for I happen to know that he was thoroughly familiar with it and its operations.

Hear what Mr. Arthur Reynolds, President of the American Bankers Association, has to say: "The American Institute of Banking Section has long since come to be recognized as an important educational factor of the Association. The affairs of this Section have been conscientiously and capably handled and while the Association has been liberal in its aid I feel that the results have been most gratifying and that the work of this Section is entitled to the co-operation of our membership * * * * *. Institute graduates are becoming recognized as possessing not only superior knowledge of banking methods but likewise the qualities of persistence and thoroughness that comes only from systematic training.

Is It Worth While?

So much for what the Institute is and what people say about it. Let us consider now for a few minutes whether or not it is worth while. Let us weigh it in the balance and see if it has made good. A prominent member of the Institute asserted a short time since that he had counted over seven hundred Institute men who in the last ten years have been elevated to official positions in their respective banks. Let us call this item number one.

The standard of efficiency among bank men has been materially and noticeably raised during the past decade, and incidentally the same is true of bankers themselves. I have it upon the authority of a prominent banker that the average bankers' convention today is much more serious in its nature than were the conventions ten years ago and that as a rule, if you will except the present speaker, the average convention program is of more real worth and interest than formerly.

Bank men all over the country are regular contributors to the magazines and to the financial and daily press on financial and economic subjects and thereby cannot fail to mold public opinion and assist in the correct solution of financial and business problems. Many of the very brainiest men in the American Bankers Association today are Institute men, and some of the committees in that organization that have become conspicuous because of things accomplished have been made up largely of men who have been reared in the Institute.

The American Institute of Banking as an educational force in this country is now recognized as it never was before, not only by bankers and by business men, but by the framers of our laws. Last fall when the Currency Committee of the United States Senate was considering the banking and currency bill and were seeking for expert opinion so that that bill might be correctly drawn they called in Institute men. And right now when definite, practical knowledge of banking is needed to build and develop the intricate machinery of the new Federal Reserve Banks, to whom do you suppose they have applied? Why, no where else than to the American Institute of Banking.

In short, wherever this policy of banking education, fostered and developed by the Institute, has become firmly established there you will find capable, live, energetic bankers who know their business from the ground up.

Thus far we have discussed this subject from a more or less remote standpoint. You bankers of Texas are naturally more interested in just what the Institute can do for you and for the bank men in your banks. It is interesting to note that of the thousand or more men who are studying the courses in the Correspondence Chapter approximately 50 per cent are bank officials. As a general rule the students are the live wires in their respective communities. Practically all of them have definite ideas as to how a bank should be run, and these ideas are reflected in the examination papers that are submitted.

Course of Study.

The Institute courses are two in number. Part one is devoted to practical banking, and the subjects considered are "Wealth and Banking," "Bank Accounting," "Loans and Investments," and "Clearing Houses and Trust and Savings Institutions." Part two pertains to law and considers commercial law in general and banking law in particular, with special reference to negotiable instruments. The lesson pamphlets cover the subjects of "Law of Contracts," "Agency and Associations," "Sales and Bailments," and "Negotiable Instruments."

At the conclusion of the study of each part the student is required to pass an examination, which entitles him to the Institute Certificate and gives him the title of Institute Graduate. In the language of Educational Director George E. Allen, "The Institute course of study thus arranged aims to provide elementary education for thousands rather than advanced education for hundreds or less, and graduation, as evidenced by the Institute Certificate should therefore be regarded as the beginning rather than the end of Institute activity. In other words, the Institute study course represents educational necessities rather than educational luxuries." If you cared to consider at this time so vulgar a subject as price, I might mention that the cost of each of these two courses is ten dollars to individual students who are employees or officers of institutions that are members of the American Bankers Association.

Conclusion.

Now the banker as an educator has not accomplished all that is possible. If he had the American Institute of Banking would simply go out of business. It is not reaching all the men that are eligible. The work that can be done is practically unlimited. However, a great deal has already been achieved. The bankers and bank men of this country, thanks to their own good sense in not waiting for some one else to start an educational movement in their own behalf, know more about their own business today than they did ten years ago; they will know more about banking ten years hence than they do now. This is an age of competition. The man who succeeds is the man who knows. There is an old Arabic proverb which runs something like this:

"Men are four: He who knows not, and knows not that he knows not—he is a fool, shun him.

"He who knows not, and knows that he knows not—he is simple, teach him.

"He who knows, and knows not that he knows—he is asleep, wake him.

"And he who knows, and knows that he knows—he is wise, follow him."

The American Institute of Banking is rapidly developing a race of men who belong to the fourth class. They are men who know and know that they know. They are the men who are wise—follow them.

Now, next September, over in Dallas, there is to be an annual convention of the American Institute of Banking; bankers who have come from all parts of the United States will be there in numbers; probably six or seven or eight hundred, and if you bankers of Texas want to have a bully good time and want to learn a whole lot about the men in your banks and what they are accomplishing, let me urge you, and let me invite you on behalf of the Executive Council of the American Institute of Banking, to come over to Dallas and see what these fellows are actually accomplishing.

I thank you very much for your time. (Applause).

President Adams—We have two telegrams:

"New York City, May 4, 1914.

"J. W. Hoopes,

"Secretary, Texas Bankers Assn.

Fort Worth, Texas.

"The greetings and best wishes of the American Bankers Association are extended to the Texas Bankers' Association in convention assembled. May you all enjoy your share of prosperity during the new year.

FRED A. FARNSWORTH,
General Secretary."

Hot Springs, Va., May 4, 1914.

"Mr. Nathan Adams,

"President, Texas Bankers Association.

Fort Worth, Texas.

"The Agricultural Commission, American Bankers Association sends greetings to all Texas Bankers. The Executive Council just decided unanimously to continue to Banker-Farmer. We are hoping you are sufficiently interested to subscribe for nineteen fifteen. We want suggestions for making it more helpful. We urge members to distribute to customers extra copies at one cent each.

B. F. HARRIS, Chairman."

President Adams—Gentlemen, it is early in the day and we have with us an ex-President of this Association, who, I am satisfied is thoroughly familiar with all of the provisions of the Federal Reserve Act; I am sure he is a man we all love and whom we have been glad to note as he has progressed and gone forward in his banking career. I am going to ask Mr. H. R. Eldridge, Vice President of the National City Bank, of New York, to address you. (Applause.)

Mr. H. R. Eldridge—Mr. President, Members of the Convention, Ladies and Gentlemen:

Some Federal Reserve Act Facts

BY H. R. ELDRIDGE, VICE PRESIDENT OF THE NATIONAL CITY BANK OF NEW YORK.

I AM sure that you have missed a great deal in not hearing the paper that Mr. Wells had prepared; he read over a portion of it to me and it was excellent. His suggestions were timely and full of wisdom and he went to the real points in the Bill. I sincerely hope that we will yet have the pleasure of hearing that address.

The Federal Reserve Act marks a step forward in the financial history of this country comparable to no other step that we have yet had; it provides this country with a financial system that will permit it to withstand the shocks which have heretofore over-turned the good ship of industry. All we need is a little proper and good seamanship displayed in handling the ship as it sails over the sea, and to that end, we must have the best quality of men in the personnel of the Federal Reserve Board, and more than that, we must have the very best quality of men to conduct the affairs of the Federal Reserve Banks throughout the country. And it is your duty, as stockholders in the Federal Reserve Bank of Dallas, to see to it that the men charged with the conduct of its affairs are men of the highest order and are men who are broad between the eyes. (Applause.)

You cannot make anything a success unless it be conducted wisely and well. And you cannot expect a banker to make a good blacksmith, nor a blacksmith to make a good banker; they have been trained along different lines.

Act Falls a Little Short.

The Federal Reserve Act, to my mind, contains much that is good and it contains many steps forward but it lacks, in many respects, I will not say in many respects, but in several respects, of stepping to the length that should, in order that this country might enjoy the benefit of the most perfect system in the country—in the world.

The United States of America—the banks, rather, of the United States of America are as well conducted as the banks of any other country on the face of the earth. There is no other nation that requires of the depositaries of the people's money, as strict surveillance as we do in this country.

From time to time, as the years have progressed, as all of you who have been in the banking business for many years, well know, the system of examination has been perfected to a degree that is simply surprising to us who remember what it was twenty years ago. I believe that our history in banking, and especially so considering the ill-advised laws we have been laboring under has been remarkable and I venture to say that had we had the Federal Reserve Act in effect for the past ten or fifteen years, that the losses of depositors in banks—small though they may be—would have been negligible.

One of the most important things that the framers of the Federal Reserve Act had in mind was the protection of the gold stock of this country. We must bear in mind that every dollar of gold exported from the shores of the United States carries with it, not only that dollar of gold, but carries with it six dollars of credit,

because gold is the basis of credit, and it naturally follows that the more gold we have, the more credit-extending ability we are possessed of. Therefore, it becomes vital that we should be able to protect our gold reserve in the best possible manner, and the best way to protect your gold reserve and to augment it is to prey upon the cupidity of man.

Calculate for Gold Demand.

It follows that bankers having large sums of money to invest much prefer to invest that money where it will earn them the most. That is a fundamental proposition, and it follows that for the exchange of gold export in this country, that we are facing the demand or possible demand for gold and we should prepare ourselves to forestall that demand.

How can that best be done. We are all familiar with one of the methods employed by that great nation, England, in protecting her comparatively small gold reserve stock upon which she carries on the international commerce of the world, is to advance her rate of discount, and by that advance, owing to the strength and the standing of the prime bills offered on the London market, she attracts investment from every other country in the world not at that time enjoying as high a rate of discount as they can get in England. Not only does the investor have an opportunity to make the increase in the rate of discount, but it naturally follows with exchange high, that he has the speculative opportunity of increasing his profit by exchange operations.

Now, if we had in the United States a broad comprehensive discount market, upon which there was a plentiful supply of prime bills—bills which could be bought with the utmost faith—could be bought knowing that they were absolutely as good as gold and as near perfection as man can make such things, it follows that if our discount rate was one per cent or one and one half or two per cent higher than the discount rate abroad and that exchange was really against us, no European banker would consider, unless there was positive necessity therefor, the withdrawal of gold from the United States, as against the investing of his balances in the United States in bills of exchange that are offered on the market.

Market for Bills of Exchange.

Therefore, it becomes essential that for us to enjoy the best benefits arising from this Federal Reserve Act, that provision should be made for the establishment of a market where such bills would be in comparative quantities that would amply supply the calls therefor.

Now we come down to the bill itself, and what do we find? The open market transactions of the Federal Reserve banks are limited to cable transfers, bankers acceptances and bills of exchange. They are likewise permitted to go into the open market and purchase notes and bonds of the United States; they may also purchase the obligations of states, counties, cities, municipalities and political sub-divisions, including drainage

districts, irrigation districts, and one other which I have forgotten. That is what they are limited to in the open market transactions.

Now, it is safe to say that with the ability of the drainage and irrigation districts and of the states, cities and counties to sell their six-month bills against taxes actually to come in within that period that with the tendency already so apparent on the part of the American cities and political sub-divisions, to spend their money before they get it, will promptly be taken advantage of and that the banker will be afforded a number of such obligations.

About Open Market Transactions.

But that forms but a small proportion of the whole that the Federal Reserve Banks could readily handle.

We turn back to these open market transactions and we see cable transfers—no purchase of cable transfers shall be made, without sending the money over to Europe. That, in itself is not sufficiently attractive, except when rates justify.

Bankers acceptances is the second investment permitted them. What provision has been made for the acceptances of bankers? This Act provides that member banks or national banks may accept to the extent of one half of their un-impaired capital and surplus, bills of exchange drawn upon them, covering import and export transactions.

There has been a great deal said about the wonderful facilities given to this country by that provision, but I want to say to you that it will be from two to four years before there will even be a sprinkling supply of that nature of acceptances upon the open market.

Then we come to bills of exchange. A bill of exchange today is practically unknown in the United States. The only ones that I have come in contact with are those that are handled by a number of European houses, who have branches located in the United States.

We have our bills of exchange, it is true, drawn against bills of lading covering the marketing of agricultural products, but they are sight drafts; they are not time drafts.

Agricultural Drafts Should Be Made Prime.

We have no method, at this time, of converting our drafts drawn against agricultural products or against warehouse receipts into what might be termed "prime bills." That is, bills accepted by houses or banking institutions of sufficient prominence and strength to make them prime; that is, as good as there is—accepted unquestionably.

It is true that a considerable amount of these bills may be developed in the very natural process of houses of recognized responsibility going into the business of accepting. In New York State, the new law which has just been adopted, gives to the banks in that State the power to accept, and places absolutely no limitation upon the amount that they shall accept, beyond the good judgment of the bankers, themselves. And in that way, we may get upon this discount market a limited supply—and I hope, a general supply, of unquestionably, first class prime bills, and thus have a start towards the establishment of a discount market, which would prove to be the greatest protection to the gold reserve of this country.

The United States of America, notwithstanding what England may say, is the only free gold market in the world. England can protect its gold reserve, not only by raising the rate but it can further protect it by the immense power that an indication of their displeasure to see gold exported would immediately have. That is a prime defect in this bill, in my humble judgment. It should have provided for domestic acceptance by national banks and thus have furnished the ground work so essential to the welfare of this country in establishing a first class, broad, strong discount market that would command the respect of the entire world.

Twelve Banks Are Too Many.

I am not in favor of twelve regional banks; though, from what I have heard, I know that there are about thirty-six cities in the United States, that I believe would like to have a regional bank. I believe that in union there is strength, and I believe that the fewer reserve banks we have, the better off we would have been, and could it have been but one great central bank with branches scattered over the country at easy points, where they could best serve the public, we would have been better served and we would have been more economically served than we can be under the new regime of things. But, we cannot expect anything to be perfect. I believe that the bill as passed through Congress, and the manner in which this great problem has been worked out reflects a great deal of credit upon the intelligence of Congress. I believe that from time to time, as necessity makes it clear, that this bill will be so perfected as to make it one of the best conceivable by the minds of men and that ultimately the banks in this country will operate under a perfect system that will meet and have the approval of all.

I think I have taken enough of your time, but I would like to say that you cannot understand how much pleasure it gives me to be once more back in Texas. (Applause.) I want to tell you—and I do not mind confessing that I am past forty—that when a man moves away from the community where he has made the friends of his life-time and where he has made friends that have always given him evidence of being true and faithful and to whom one is as much attached as I am to them. I tell you that it is a pretty hard matter to go up into the East, where the blood is possibly just a bit colder than it is down in the South, and try to get strong with the people. I have given it up, and when I want to feel by blood run warmer and my pulses quicken, I am always glad to take the train and come down to Texas. (Applause.) I believe that a week here will do me enough good to enable me to spend a month or two up there without longing to

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come back during the while. I know of no country like this state; you have got the best people on earth, and you should all feel very fortunate to be able to live here. (Applause).

I thank you.

President Adams—I am sure that you have all enjoyed the talk of Mr. Eldridge on the new Currency Bill.

Having nothing more on the program, a motion to adjourn will now be entertained.

Mr. Fuqua, of Amarillo—I move we adjourn, Mr. Chairman.

Motion seconded and carried and Convention declared adjourned until 2:00 p. m., May 5, 1914.

AFTERNOON SESSION, FIRST DAY, MAY 5.

President Adams—It is rather a hard task to talk in this building, won't you gentlemen come up in front so you can hear what they have to say?

We have had the pleasure of hearing two New York gentlemen this morning and we are coming back to Texas this afternoon.

I am going to take pleasure in introducing to you Mr. R. R. Waldrop, president of the First State Bank of Crowell, Texas, who will talk to you on "Banking as a Profession". (Applause.)

Mr. R. R. Waldrop—Mr. President and Ladies and Gentlemen:

BANKING AS A PROFESSION

BY R. R. WALDROP, PRESIDENT OF THE FIRST STATE BANK OF CROWELL.

THE position in which I find myself at this time reminds me of the story of the two politicians occupying the same bed-room. In the senate they were both known as good talkers. Early in the morning one of them complained to the other that he had taken all the blanket and had let him sleep on the floor without cover. The other said, "Why didn't you speak out about it?" His friend replied: "Well if I didn't speak out it was not because I didn't have the floor."

Now ladies and gentlemen if I fail to make myself clear in the short address I am about to deliver you, on banking as a profession, it will be no fault of yours as I have the floor.

Being a young banker myself, I naturally take a great interest in the young man taking up banking as a profession—my remarks therefore, will be directed mostly to the young men in this assembly.

We meet annually in these conventions to mingle together in a social way, to become better acquainted with our fellow bankers and to plan for the future, and well that we should. But we should profit by the errors committed in the past and plan wisely indeed; for the volume of business transacted by the banks of the United States has grown to such enormous proportion and the banks' duties have assumed so much of a public nature, that they have become indispensable to the commercial life and the prosperity of our country.

Character and Reputation Essentials.

All of these surroundings have had their influence in bringing the managing officers, with all those connected with our banks, before the public eye of the people. And never in the history of banking has the demand for men with CHARACTER and REPUTATION, beyond question been demanded as it is at the present time.

Then realizing what is demanded of us and in order to hold the confidence of the public, from which our business comes, we should be very careful indeed in our own conduct and the management of our banks. We should also be careful of the material we take into our banks, though it be for the least important position for the BEGINNERS of today will be the LEADING bankers in no distant



R. R. WALDROP

time. So we can readily see that the standard of banking in the future depends upon the CHARACTER and REPUTATION of those entering the banking business now. Those of you who have been in the banking business many years, not alone for the money you make, but for a higher and nobler purpose, which should be the propelling force of every man's life, should see to it that those following you have a full understanding of the duties and responsibilities and the reward that a successful life will bring them. When a young man makes a choice of a life time profession he should have a clear conception of the duties and responsibilities that will fall to his lot in the position to which he aspires. He should make a close examination of himself to see if he can withstand the fire of temptation. He must realize that a struggle will be his, day after day, which is necessary for the development of the highest and noblest character.

This applies with greater force to banking than any

other line of business, for it's very foundation is confidence. And I urge upon every young man taking up banking as a profession to determine within himself to be something more than a mere adding machine. Take inventory of the talents the Almighty has endowed you with and see if you measure up to the tried and tested banker, if not, use the pruning knife of righteousness and sever from your life this bad habit and that bad habit, and begin to add thereto the true principles it takes to make up a genuine man. In so doing you are building CHARACTER which should be the supreme aim of every man's life.

Put the Tempter Behind You.

Does the young man know within his own mind that he can at all times remember that the money in the bank is not his own, but a sacred trust placed in his charge. That he is not to use any of the funds of the bank, directly or indirectly for his personal gain, in any manner, whereby the stockholders or depositors might lose. We have a fair example and what the results will be in the Rains manipulations of the Mercantile Bank of Memphis, Tenn. So young banker friends let's never commit a crime of this character that will bring shame upon the fraternity of which we are members and disgrace into our own lives. Does the young man realize that the man that uses the funds of the bank, in this way, though he gains in his transaction, is no better than the man that loses and has to pay the penalty of the law? If he is not sure that he is above all the temptations and snares that will come to him in his career as a banker, he should never take up banking as a profession.

He should be prompt, accurate, careful and courteous in

all his work, for the nature of banking is such that these traits are essential to success. Is he cheerful and kind, can he smile when every thing goes wrong, at the same time satisfy an irate customer who comes in the bank and swears that you beat him out of ten dollars in your transaction with him the day before, or that you can not allow him to over draw his account after you have told him for the fiftieth time that you could not? Can he tell the price steers will bring on the Fort Worth market next week, or whether or not cotton will decline in the next thirty days? Can he be a walking bureau of information, at the same time furnish brains and money for many of his customers? Can he do the thousand tedious things, which he will have to do if he is a successful banker and smile all the while he is at it? Now these questions might seem absurd to some of you, but those of us connected with the country banks know that we are confronted with these questions, or questions of like nature almost every day of our lives and WE are responsible to a great extent for the ACTIONS of our customers in their business life.

The banker should be open and frank in all his dealings with the public, and let them know in a general way how the affairs of the bank are conducted, the relation the depositor and borrower has to the bank. We know that we should do this, but do we know it strong enough? Not many days ago an old gentleman who keeps a nice balance with us, called in our bank. I saw at once that he was disturbed. He began to relate what he had heard about the banks in general, that money was close, that times were hard and that probably he had rather have his money if conditions were getting serious. Of course it was time to explain the working of the bank, which I did to the

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STATEMENT AS OF APRIL 1, 1914.

ASSETS.		LIABILITIES.	
First Mortgage Loans (Secured by real estate valued at \$675,121.00)	\$242,523.05	Total Reserve Funds.....	\$ 65,860.41
Policy loans, premium notes, agents' balances (secured)....	32,923.99	Other liabilities	4,940.71
Interest due and accrued.....	9,996.86	Surplus to policy holders, capital stock, \$151,550; unassigned funds, \$90,740.87	242,290.87
Cash in banks and office.....	40,612.09	Undivided profits	13,000.00
	\$326,055.99		\$326,055.99
Gain in assets during 1913.....	\$ 61,279.45	Net gain in business in force.....	1,495,076.00
Gain in surplus to policy holders during 1913.....	24,217.18	Gain in income.....	38,622.99
Gain in reserve during 1913.....	36,560.28		

A Company that has not sacrificed everything else for "SIZE." "SAFETY AND CONSERVATISM" is our motto. So far as we know, the only company ever organized in Texas that has actually earned sufficient profits from the operation of its business to pay a dividend to stockholders at the end of two years and eight months. Funds deposited with State Treasurer for protection of policy holders.

EXTRACT FROM THE EXAMINER'S REPORT OF THE EXAMINATION MADE BY THE INSURANCE DEPARTMENT OF TEXAS:

"The Company is to be congratulated. The books of the Company are well kept and no difficulty was experienced in making up the statement which accompanies this report. The affairs of the company are conducted in a systematic, orderly manner. (Signed) "R. G. BURTON, Actuary for the State of Texas."

A great many bankers represent us as a "side line," and work in connection with experienced traveling agents. For liberal contracts write

E. P. GREENWOOD, VICE PRESIDENT AND GENERAL MANAGER.

very best of my ability, the result was he left the bank, seemingly, perfectly satisfied. We should do more of this without being forced to, especially in the country banks, where a majority of our customers are farmers who are not familiar with the basis on which a bank is run.

At the same time we should be very careful what we say, as the wrong impression on the mind of an ignorant customer might have a tendency to destroy the confidence in your bank, place you in a very embarrassing position or depreciate the confidence in the fraternity in general. I doubt if any of you who were in the banking business during the panic of 1907 ever realized previous to that time how little the public knew about the banking business. For instance, a customer called and wanted his money, on being told that he could only get a portion of it, in absolute astonishment he would say, "I thought you kept all the money deposited in your bank, right here in your own safe." I believe however conditions have improved since that time, but it took the panic of 1907 to wake us up to our duty.

Does he engage in the banking business merely for the money there is in it? If so, he will find it more congenial and more profitable if he will take up some of the blue sky propositions which he can unload on the gullible public. The only difference it takes a man of CHARACTER to succeed in the first and most any one can handle the latter.

The young man entering the banking business should remember that the greatest things accomplished by our greatest men were not for money alone, but from a much higher motive, they LOVED their work, and the day was never long enough for them to do what they would like to have accomplished, but through persistency it was done, and in so doing they gained the confidence of their fellow man.

Don't understand me to say that we should not make money, but we should not let it overshadow the greater things in life. However I would not have you misjudged as I was. In a church gathering not many days ago I was called upon to make a short talk along the line of Christian Education. After the service and returning home with the gentleman with whom I was stopping, he said, "I believe you are the first banker I ever saw that was a preacher." The thought that I wish to impress, is, that money does not always bring happiness. There are those within the sound of my voice that can likely recall to their minds men who are worth a million dollars that are the most dissatisfied people on the face of the earth. I would like to see every one of you worth a million dollars, but not so, if it will destroy your happiness.

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Keep Everlasting At It.

If a young man is endowed with these qualifications, which I have mentioned and discussed at some length, there is no reason why he should not rise and finally reach the topmost round of the ladder, that is the topmost round of his ladder, as we are to a great extent, just what we determine to be. If you determine to be a master among men and that determination is backed up by the right motive and you keep everlastingly at it, there is no power on earth that will keep you from it. But remember this, nothing WORTH WHILE is accomplished without a sacrifice.

It should be an inspiration indeed to the young man in the banking business, to know that we belong to a profession in which the standard of integrity and morality is the highest. So let us be careful what we say and what we do and not betray the confidence imposed in us by our respective communities. There are cases and there will always be cases where bankers prove false to their trust, but I believe I can say without fear of contradiction that there is no other profession on the face of the earth, in which men are so near true to their profession as the banker.

Then I say young banker friends may we never lift our hands against a law that is enacted, that tends to purify the banking business, that will drive the rash, the weak and the designing out of the profession. I believe our state banking department is to be commended along this line, for they are demanding that the boys keep a clean house.

In conclusion I will say in the words of the poet,

"Be Strong

We are not here to play, to dream to drift,
We have hard work to do and loads to lift,
Shun not the struggle—face it; 'Tis God's gift.

Be Strong

Say not the days are evil. Who's to blame?
And fold the hands and acquiesce—O shame!
Stand up, speak out, and bravely in God's name.

Be Strong

It matters not how deep entrenched the wrong,
How hard the battle goes, the day how long;
Faint not—fight on! Tomorrow comes the song."

President Adams—I am sure that you listened with a great deal of pleasure to Mr. Waldrop's address. Fortunately for us Mr. Wells has finally arrived. While we have had one talk by Mr. Eldridge on the Regional Reserve Bank I am sure that Mr. Wells' talk will interest all of you for I agree with Mr. Eldridge this morning that no two bankers agree on the Regional Reserve Act and so long as we are so widely separated in our opinions I think it is wise to have as much light on the subject as possible.

I take pleasure in introducing to you Mr. Oscar Wells, Vice President of the First National Bank of Houston. (Applause.)

Mr. Oscar Wells—Mr. President and Gentlemen of the Bankers' Association:

A NEW ORDER OF BANKING

BY OSCAR WELLS, VICE-PRESIDENT OF THE FIRST NATIONAL BANK, HOUSTON.

REALIZING that the best value of a convention address lies in the manner in which it is reported in the proceedings I am going to confine myself for your benefit and to my advantage to the manuscript which I have prepared in which I have sought to condense those things concerning this subject which I desire to present. (Applause).

When we met in convention a year ago we were speculating upon proposed legislative measures, concerning the subject of currency and banking reform, while today we are engaged in the study of the provisions of the Federal Reserve Act.

There are those who discern the difficult problems of the operation of the law as they are presented in its early stages, while others can see in it an effectual remedy for most of the ills to which our monetary system has been subjected. These are not contrary views by any means, for there is enough of both in the situation to catch the attention of the very practical who want to apply this huge piece of machinery and see it work, and the economist more particularly concerned with the correctness of its principles.

Most of us are still too young to recall the beginning of the agitation for this enactment, but for the last half dozen years particularly, we have evinced a keener interest in the subject and regard the passage of the new law as a significant step forward in American finance. It is conceded to be a far better law than was expected when it became an administration measure, with presidential determination for early and thorough discussion. The legislation was formative, and necessarily original in character, and required at the hands of Congress much care, hard work, and efficient study, that its members might be informed as to the needs to be met and the manner in which an effective law might be written upon the statutes of the nation. I glory in the achievement and yield a tribute to the intelligence and industry of those to whom we are indebted for this, the dawn of a new order of banking.

National Bank Act as Superstructure.

It has been frequently said that our banking and currency system is inferior to all others and yet it has a notable record of achievement over a period of half a century of the nation's expansion, disproving its unsoundness. I think the more accurate criticism proclaims its inadequacy to meet the growing needs of the country, so that business might move with financial ease and freedom. The National Bank Act, like the Federal Reserve Act, was a reform measure, designed to cure the ills of wild cat banking and provide a safe form of currency. Whatever may be said of the glaring defects, which became more apparent as commerce grew in volume, the Act may worthily be classed among the most important pieces of constructive legislation, and we must, with some show of enthusiasm, endorse the Congressional wisdom, which preserves it, almost entirely, as the superstructure of the new plan.



OSCAR WELLS

Vice-President of the First National Bank, Houston. At the nominating convention of Bankers of the 11th District, held in Dallas, May 30, Mr. Wells was nominated as a candidate for a place on the Board of Directors of the Regional Reserve Bank, Class A. Mr. Wells went to Dallas with the unanimous endorsement of Houston's banking men, and member banks in every section of the District cast ballots in his nomination.

Bankers' Responsibilities.

Any review of the provisions of the new legislation for the benefit of a convention of bankers, must take into account the magnitude of their responsibilities and the urgent need of their intelligent and hearty co-operation, in administering its provisions. Unfortunately, there is abroad in the land, due to a gross misunderstanding of actual conditions, an undercurrent of belief, that currency reform is aimed at the correction of certain existing banking evils, particularly to be found in the larger centers of population, and therefore for the relief of the people as against the banks. There are many who believe that the public are on one side of this question, and the banks on the other, and that the situation presents a positive antithesis. Those holding such views are either unable or unwilling to understand that the present wonderful prosperity of American development is in a large measure due to the faithful support of bankers and banking institutions. We are now committed to an unabating continuance of the true office of banking, for we are, by the very nature of things, as well as under the specific language of the law, a more intimate part of the govern-



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ment, as the expert elements needed in its operation. We have heard a great deal during the last few months about the detached influence of bankers, in administering the affairs of the new currency system, but an analysis of the Act will reveal an abundant recognition of the requirements of technical services. Are we not treated as friends and co-partners, instead of aliens and competitors? We are component parts of a federal banking institution, being both shareholder and patron. True we are brought under closer surveillance by the extension of the powers of government supervision, a provision which we have always welcomed as a boon to good banking, and occupy positions of closer contact as constituent elements of a governmentally controlled district. This will tend to promote confidence and enhance the value of membership. In the operation of the law, members of the worthy profession will find well nigh boundless opportunities for practical and patriotic service. The leaders in all of its departments of activities will be drawn from our ranks, and they will serve the government with an intelligence born of their training and a sympathy which shall spring from a knowledge of the true ethics of banking.

Federal Advisory Council.

In this connection, I ask your indulgence that I may suggest another evidence of the recognition that the farmers of this Act have given to the importance of co-operation, though not domination, of banking interests. I think it is unfortunate that public opinion remained silent upon the importance of the Federal Advisory Council, thereby supporting the already accepted theory that it is the creature of palliation and therefore doomed to an obsolescent end. I say it not idly nor boastfully, but sincerely, that I hope that its significance may be speedily recognized and that its membership may become a vitalizing influence in the performance of its duty, upon those quarterly pilgrimages to the seat of government. We can serve the purpose of this law in no better way than to resolve that this shall not become merely a body of pre-eminent bankers, whose recompense shall be the glory of membership therein, but that they do the things for which they were intended furnish information of prime importance, and make recommendations of value. It is not intended that they shall dictate the policy of the Federal Reserve Board, but the high character of those who shall receive appointment thereon impale our faith in the belief that it will give heed to intelligent counsel.

Various Elements.

We are in accord, no doubt, that in a single address, it is neither possible nor proper, to undertake a discussion of all of the elements of the new currency legislation, even if I had the ability to elucidate its many intricacies. It is a complex theme, and while the language of the law is simple enough, when one comes to making an application of its provisions, he comprehends the need of an authoritative interpretation. We may be so willing to solve some of the initial problems, inasmuch as they relate directly to our own interests, but we are yet under the necessity of awaiting the rules and regulations to be promulgated by the Court of Federal Reserve. I shall be content therefore, if I may suggest, in addition to my efforts to stimulate a broader conception of the scope of your influence as bankers, a few of the problems which shall arise in the auguration of the plans and some of the difficulties to be encountered and benefits to be derived after it shall have passed the experimental stage. I dare say that I shall present but lit-

the original thought, and that your attitude toward my efforts will be much like that of a member of the English Parliament toward an adversary, in calling the attention of that body to a speech just made, by saying that "it contained many things that were both good and original, but the remarkable part of it was that the things that were good, were not original, and the things that were original were not good."

Clearing Facilities.

In contemplating the immediate problems for solution, perhaps the first that arrested our attention was that of the handling of items for the credit member banks. Any plan which may be invoked must affect the condition of the reserve balances with the regional bank, and must be applied with due regard to that requirement of the Act, at the same time without too heavy burden upon the federal institution. It is rather generally believed that it is the intent of the law to benefit the public by neutralizing exchange charges, thus giving an enhancement to the value of checks as a medium of payment. We may expect early reconciliation of the loss of revenue sustained by this operation by an acceptance of the offsetting advantages.

Initial Payments for Stock in Gold.

Another matter of concern is the probable strain that will be put upon the gold reserve in making the initial payment of stock subscriptions. This burden will fall principally upon the Reserve and Central Reserve Cities, and will doubtless find a solution in a concurrent action on their part, which may include the Secretary of the Treasury, if indeed some plan is not adopted to preclude the necessity of making the payment to each of the twelve banks at the same time, especially if that shall be deferred until we arrive at the season of the year when the reserves of the crop producing sections are at low ebb. It would seem that the law does not anticipate a lessening of reserve requirements until after the banks are in operation.

Commercial Paper.

The Organization Committee, some time ago, invited an expression from Clearing House Associations as to the proper definition of commercial paper, for the purposes of the Act, out of which has come the seeming agreement, that there should be some restrictions upon the definition the Act itself contains, the only apparent difference being the extent to which encouragement should be given to a return of the practice of using acceptance. Further valuable suggestions were given as to the employment of a standard form of note containing representations upon the part of the maker to cover the requirements which may be agreed upon in the established definition. Commercial paper represents actual tangible transactions of short duration, the termination of which will automatically furnish the means for paying the obligation. This is a very interesting phase of the study of the provisions of the Federal Reserve Act and one that calls for careful consideration upon the part of those to whom the administration of the law will be entrusted.

Importance of Personnel of Federal Reserve Board.

The most significant element surely is the Federal Reserve Board. About it clusters the real problems of this new order of banking, and today financial America expectantly awaits the announcement of the personnel of

this important body. The Chief Executive has set a high standard of fitness by a favorable comparison with the great tribunal of justice and the nation applauds the wisdom of that resolve. The banking and commercial interests are eager for the experiment to begin, and while it will take a considerable length of time to install the rather intricate machinery which the new law makes necessary, the burdens incident to the Summer months, make it desirable to this section that we put behind us at the earliest practicable moment whatever requirements must be met in the initial stages of the operation of the regional bank.

Branch Banks.

Another important feature of this vast subject in which the members of this Association will soon find themselves interested, if indeed they are not already, is the establishment of branch banks. The law is vague upon this matter, perhaps intentionally, so that the performance of it may be left with the wisdom and discretion of the reserve bank, acting in conjunction with the Federal Reserve Board. Those of us who are concerned in the location of the branches feel that they should be established concurrently with the reserve bank. We base our claims upon the following needs:

1st. Convenience to member banks in other trade zones, than the one in which the reserve bank is located.

2nd. That present trend of business already enjoyed may not be diverted from established channels.

3rd. That local conditions may fall under the care and treatment of a local board of directors, thereby maintaining advantages of a separate entity.

Our supplications will go up to the proper authorities for a considerable regard of these needs and each applying community will urge that to defer the appointment until a future time will materially lessen the purpose for which its arguments exist. The reserve bank must of necessity look to the matter of expense in determining its attitude toward the problem of creating branches, and especially in view of the gradual receipt of capital and increase of deposits, fixed under the law. The net earnings of the regional bank, even before it is fully launched, as it will be at the end of a three years period, will be a contributing influence toward the degree of the success of the system. Branch banks therefore will present some interesting problems, the solution of which will involve the controlling authorities in much the same manner as the work that has fallen to the Organization Committee.

Purpose of the Legislation.

To review the larger and more enduring principles of this the new legislation, with which our vocations are so vitally concerned, it is necessary for us to bear in mind the purposes which the reformation is designed to serve. Public discussion upon this subject has been so free and voluble, and the distinctive literature of the banker has teemed so generously with the defects to be cured that even the most cursory reader among you could scarcely have failed to have impressed upon him the things which needed correction.

Decentralized Reserves.

One of these was decentralized reserves, and in recognition of the need of centralization the new law has created a series of reservoirs co-ordinated under a single supervising power. Many competent authorities agree that the unscientific and ineffective manner of handling

reserves, that we have employed for many years, constituted the greatest weakness in our banking and currency system. The operation of it is already well understood by you and this discussion therefore need be concerned only with the manner by which a solution is afforded.

The regional plan seeks to do several things:

(a) To relieve the country from being dependent upon the tranquility of the financial situation in a single large city of the nation.

(b) To utilize by mobilization of the scattered reserves, the funds now locked up in the vaults of the banks, as a basis for discounting commercial obligations.

(c) To break down the fictitious reserves existing under the present method of redepositing.

(d) To reduce the reserve requirements thus supplying a greater flow of credit.

(e) To provide a distinction between the reserves against time and demand deposits.

(f) To minimize the severity of a fixed reserve requirement by giving the control of suspension to the Federal Reserve Board.

Currency Inelasticity.

Next in the usual order given of the defects with which we have contended, is the inelasticity of currency, which is sought to be remedied by the issue and retirement of the Federal reserve notes. It is believed that these will expand and contract with the varying needs of commerce and trade and furnish an elasticity heretofore unknown in our system of fixed money supply.

Broad Discount Market.

Third in the requirements of a better monetary function of government comes the creation of a discount market. The importance of this is recognized by every student of the needs of our banking system in comparison with those of the countries of the Old World. The nearest approach we have to anything of the kind now is the sale of commercial paper through the offices of established brokers, which practice has grown up about us, through sheer necessity and without the aid of legislative encouragement. This has enabled commercial enter-

prises to expand their operations materially, especially in times of financial fair weather, but it has in no sense contributed toward the averting of calamitous disturbances affecting the country at large. In fact it has tended toward the reverse at the approach of the first signs of depression. We have had no effective national plan by which domestic exchanges might be made between sections of the country, but to the contrary there has been lost to the commerce of the nation millions of dollars which found employment in sustaining speculative securities on Stock Exchanges. This was clearly the fault of the system which provided for the concentration of reserves at one center and which were of necessity invested in the only manner available by which the funds could be returned with dependable certainty on demand—in the call loan market of Wall Street. By the operation of the Federal Reserve Act, member banks may invest their secondary reserves in commercial paper, which it is to be hoped may find a means of becoming standardized, confident in their ability of re-discounting such portion of it, with the regional bank, as they may need in meeting any unusual deposit demand. From the view point of fundamental economics, involving a greater supply of funds for the uses of trade and commerce, and a consequent lessening of loans for speculation, furnishing a material aid to the protection of our gold supply, and maintaining a rightful place in international finance, the creation of a broad discount market, would be the greatest achievement to this wonderful legislative enactment. As to whether the new law, standing as it is now, unamended, will admit of the development of this potent facility is a matter of grave concern approximating actual doubt. I say this because a broad discount market means the creation of a kind of commercial obligation that would find a purchaser wherever funds should seek investment even beyond the confines of the known standing of the maker. How could this be done? By such confidence in the integrity of these obligations as would follow the practice of using what in other countries are known as bank-acceptances. Without bank-accepted bills we can have no broad discount market, and unless National banking institutions are empowered by legislative license to accept bills, their growth in favor in this country will doubtless be greatly retarded. It may be interesting to examine that portion of the bill, under which the evident intention was to provide this desirable element for the advantages of our economic life. You will find the following language:

"Any member bank may accept drafts or bills of exchange drawn upon it and growing out of transactions involving the importation or exportation of goods, etc."

Only the largest banking institutions will evince an interest in this provision, as only those of large capital could afford to undertake the employment of funds in international transactions, and while even this restriction might be waived as unimportant, there remains the great improbability of profit in the face of a prevailing higher exchange rate in European centers as compared with our own, which will continue until we can have a great discount market, furnishing short term commercial credits for international investment. Our commercial paper emanating as it does from miscellaneous mercantile sources, the ratings of which are uncertain to foreign banks, is not suitable. If the right of domestic acceptances were given to National Banks, which function seems to have worked so well in other countries, time would not only furnish suitable commercial paper to foreign investors, thereby neutralizing international exchange rates,



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and give to commerce, funds now used as the basis of speculation, but would render less revolutionary, the return to the use of trade bills, concerning which there has been such diversity of opinions among Clearing House Committees.

Amendments Possible.

One of the best reasons for the harmonious acceptances of the new currency law, is the readiness with which the spirit of co-operation can affect such amendments as may be required to meet the demands of experience in its operation. The bankers and political economists who believe in the idea of a more definite form of central bank are in the majority, and as some great reforms come by easy stages, the conversion of the regional system to a central bank and the policy of National bank acceptances are not entirely beyond the pale of subsequent legislative enactments.

Central Authority of Control.

Another recognized defect which the new banking Act is designed to remove, is one upon which there has been but little or no argument. This is the lack of co-ordination, or of a central authority of control. With the exception of the supervising power of banking departments, State and National, and the connections established through reserve requirements, each unit bank has existed independently. The Federal Reserve Act is a plan of federation, without interference with local relationships, and through the medium of co-operation as members of a region, or between regions, the various facilities of the new plan will be afforded for practical utilization, with the intended result of such intimacy between the functions of government and independent banking as will be worthy of perfect public confidence.

Retirement of National Bank Notes.

During the giving of testimony, and the discussion incidental thereto, prior to the enactment of the new banking law, the problem of the retirement of National Bank Circulation stood out prominently. A great deal was said about the wisdom of their retirement, and while the Act does not compel the relinquishment of that privilege upon the part of National banks, but provides a means by which it may be done gradually, by giving the power of circulation to the Federal Bank, and transferring to it the necessity of purchase of government bonds as a basis, fixing the rate at par and interest. The extent to which banks may want to retire the bond-secured circulation, or to which the Federal Reserve Board will authorize the purchase of bonds by the Federal Reserve Bank, is a matter of conjecture. The maximum they may take over per annum is twenty five million, and the time limit for the operation is twenty years, so all of the National Bank Circulation will not be retired in this manner. It is altogether probable that in operation the market of par and interest will be sustained and that was the point of seriousness a few month ago.

Inflation.

Whenever even an informal discussion of the Federal Reserve Act arises, which is almost equivalent to the meeting of two or more bankers together, the fear of possible inflation is expressed. This may mean either of two things; the over-issue of reserve notes, by which gold may be forced out of the country, or the expansion of loans by banks, as the result of over-confidence, born of optimism, or excessive use of the privilege of re-discount, and

the release of reserve requirements. The possibility of both of these things serves to increase the responsibility devolving upon the Federal Reserve Board, of preventing the one, by the exercise of supervision over the interest rate forcing the retirement or cessation of note issues, and the other, by keeping a check upon conditions in a given district, as to the need of rediscounting, which after all is confined to commercial paper, whereas ever-expansion is usually concerned with non-liquidable loans. The bankers will be in control within the district, while the country at large must rely upon the Federal Reserve Board, and both groups must exercise judgment and their discretion if we are to obtain the best results.

Conclusion.

There are many other matters of interest, upon which I have not touched for I am conscious that to undertake a thorough discussion in the limited time at my disposal, would result in an effort approaching a recital of an index of the Federal Reserve Act. The open market operations, the relations of the Secretary of the Treasury to the reserve banks, the readjustment of reserves in all of the three classes of cities, and the probable extent to which re-discounting may become popular, are all interesting features in the study of the subject, and I could wish for those of you, who have listened so patiently to a somewhat technical speech, nothing better than the necessity of making preparation for one of your own.

The new law is not designed to solve all of the problems of member banks, and doubtless some changes will be made by Congress, as reasons for amendments may appear from its operation, but the plan has met with approval in all sections of our country, has received the commendable plaudits of high authorities abroad, and is wholly worthy of our support in Texas, where the pursuit of the loftiest ideals is as keen as the race for financial supremacy. (Applause.)

President Adams—I am sure that you listened with a great deal of interest to Mr. Wells' analysis of the Federal Reserve Act and that you agree with him that we are, whether we will or not, a part of this great regional bank and it is our duty to endeavor in every way to make it a complete success. Mr. Wells appeared before the Organization Committee for Texas and while there made such a magnificent showing as to give to Texas one of these Regional Banks.

I now have the pleasure to introduce to you one of the brightest young banking men in the State of Texas, a man who has always been acquainted with a conservative bank. He learned the business under his father who knew no other way to teach him than to run a conservative bank and I hope his address will be of interest to you. I now have the pleasure of introducing to you Mr. Tucker Royall, of Palestine. (Applause.)

Mr. Tucker Royall—I note the complimentary manner in which the President presents me on this occasion, all of which is somewhat overdrawn, but, however, Mr. President, I thank you for it.

CONSERVATIVE BANKING

BY TUCKER ROYALL, PRESIDENT OF THE ROYALL NATIONAL BANK, PALESTINE.

PERMIT me to express to you my appreciation of the compliment you have paid in inviting me to address you on this occasion and the subject of "Conservative Banking."

Conservatism is and should always be the watchword of the successful banker. Life is too short to engage in the fitful fever of speculation which so often disappoints and dissipates. The man who attains sudden wealth by speculation is usually admired, but as he rises with the sun in the morning just so is he apt to descend with the slanting shades of evening. His investments are not stable, and his adventures ever rest with the grim spectre of uncertainty.

Our politicians may agitate, our lawyers legislate and our promoters enthuse over our industrial problems, but the conservative banker is the man who passes final judgment and upon his decision rests the progress and destiny of commerce.

In March of this year the Attorney General of Texas ruled that State banks and trust companies might sell their bills receivable, endorsing same without recourse and at the same time enter into a written agreement to repurchase said bills so sold after maturity; and that such banks and trust companies need not carry such transactions on their books as bills payable or as rediscounts and furthermore he held that such banks and trust companies would not be limited as to the amount they might so sell. This ruling, as I recall it, was delivered to Mr. W. W. Collier, Commissioner of Banking, for his guidance. Being a stockholder and director in several State Banks, I awaited with interest the action of the Commissioner. Instead of following this construction of the law, however, as is usually done, the Commissioner foresaw the disaster that might follow and in April following he issued positive instructions to all banks and trust companies forbidding this course, taking the position that it was not in the interest of prudent banking, and positively requiring them to carry on their books as bills payable or re-discounts, all such transactions and limited the amount that each banking corporation might so carry to the capital stock.

Courageous Stand of Mr. Collier.

We all know and Mr. Collier knew at the time, that our most worthy Attorney General was compelled to declare the law as it was written and he knew that such ruling was made in good faith by the Attorney General and fully recognized his ability, yet he knew that this law was passed without the Legislature having duly considered the baneful effects of such a construction, or of such a law, and right in the face of this ruling he had the manhood and courage to totally disregard it and to compel a course that would be conservative and safe. History has no record within my limited knowledge, of a greater example of courageous, conservative and safe banking than was demonstrated on this occasion by Mr. Collier and this part of the commercial world and Governor Colquitt especially are to be congratulated on the selection of this experienced banker to head the department of banking in Texas.



TUCKER ROYALL

The next Legislature of this State by all means should so amend this law as to make the law conform to the practical and sensible ruling made by the Commissioner of Banking.

Must Obey Old Laws of Finance.

The business world, since the passage of the "Federal Reserve Act," is looking forward to a great expansion of credits and a tremendous demand for capital when the new "Federal Reserve Banks" are in operation. While it is true there is now in existence a new "Banking Law," there are no new laws of finance. We must obey the same old laws of "conservative banking" or pay the penalty. This new system was established not alone for the benefit of the National and State Banks but for the benefit of the people. On account of a misunderstanding created by designing politicians and office seekers, banking legislation has been viewed until recently with more or less suspicion by the masses of the people, and it has been found difficult to secure this much needed legislation which was most necessary liberal and beneficial to all, because of the supposition that all such legislation must confer undue favors on the possessors of banking capital. By these same people the great and incalculable benefits which the banks have conferred upon the business of the country have never been mentioned. The banks of the country have now entered upon a new career. The machinery will soon be in excellent working order and but lit-



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M. K. Baker, Asst. Mgr. Bond Dept.

the legislation is needed to perfect it into a homogenous system which will be part and parcel of the nation. The imperfections of the system, if any, will gradually make themselves known, and by necessary amendments it will ultimately reach the height of perfection.

Beyond all question, however, the present is a time, during the readjustment of our financial system, when the banker should have a realizing sense of his responsibility and a recognition of the fact that a continuance of the prosperity we so much desire depends more than anything else upon the power of the banks to preserve at all times a conservative attitude.

The Banker a Credit Regulator.

That the banker is a trustee for his depositors and that his trusteeship must never be forgotten is a fundamental principal upon the observance of which depends that banking growth and stability at the basis of commercial life itself. There must be a clear recognition and appreciation of the banking function. In proportion to its capital it is the largest of all debtors, while its assets consist principally of evidences of credit. The banker is the credit regulator of his community, and it is fundamentally necessary that he exercise the greatest care in order that credits do not grow out of proportion to the cash in which they are redeemable. Permanent and continued prosperity depends upon adequate banking facilities, and these facilities it is the function of a bank to furnish, guided, however, by correct principals and sound business methods.

Banking is not simply a business, but it is a profession, and a most zealous profession, imposing on its votaries a life of constant mental training and labor. Banking should be the bankers life work, and he should seek success in that line as the acme of his ambition, and should pursue it with all energy, persistency and zeal required to accomplish success and distinction in other lines of professional life.

One should not follow the business simply from the love of money, but take it as a calling worthy of the best powers and labor of the best and ablest men. No principle of banking is more vital than a realization that large reserves are more profitable at all times. The success of a bank, its growth and usefulness, depends upon the ability of the management to keep its assets liquid and readily available. Close and thoughtful analysis reveals this to be the real secret of success is commercial bank-

ing. The constant temptation of the banker is to tie up his resources in fixed investments which exhaust his lending power and are the greatest factors in creating tight money.

Unlimited Credit Ruinous.

It cannot be repeated too often that it is not the function of a well managed bank to furnish business capital for its customers, yet the granting of standing lines of credit and the continuous renewal of paper is virtually taking an interest in the business of the borrower and thereby violating the principles of conservative banking. Nothing could bring more speedy ruin to the borrower than unlimited credit, regardless of security. The laborer is worthy of his hire. The banker is entitled to his collateral, his percent and his dividend. This is said to be pre-eminently a day of specialties, and none but specialists can compete with specialists in the struggle for supremacy. Amateur bankers will have as little chance to win in the contest as amateur lawyers and doctors and ministers.

To create and retain a large surplus account and to create it quickly is considered not only the part of wisdom but should be the desire of every conservative banker. The surplus of a bank is not only its strength, but in one sense it is the only thing it does not owe. There invariably comes a time when the presence or absence of a surplus account affects vitally a bank's life and history. The reputation of a bank will be found not to rest upon earnings paid out, but those retained for the safety and larger growth of the institution.

In conclusion I will state that the time is here when the depositor must exact of his banker such wisdom and judgment and executive ability as must be required only by long, earnest and exclusive application. He must be conservative, vigilant, faithful and exacting.

He must avoid all speculative ventures, for cool and conservative investment and not speculation is what builds for the future. Speculation opens opportunities, but it takes conservatism to turn them to good account.

Conservatism enters into details, speculation jumps at conclusions, conservatism travels the highways, speculation dashes over the unbroken turf; the one keeps the beacon light burning at its goal, the other is lost in a labyrinth of uncertainty; the one sails over the placid deep, the other wanders rudderless on an angry sea. (Applause.)

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Letter from Arizona.

President Adams—I have a letter from the President and Secretary of the Arizona Bankers' Association dated Tucson, Arizona, March 5, 1914.

Tucson, Arizona, March 5, 1914.

To the President and Members, Texas Bankers' Association:

Fort Worth, Texas.

Gentlemen :

To increase and continue the good fellowship which exists between this Association and the Texas Bankers' Association, to secure when desirable, uniformity of action, to promote the welfare of our membership, and in conformity with the authority given to me by our Executive Council, I have appointed Mr. P. M. Buckwalter (Cashier of the Miners and Merchants Bank, of Bisbee, Arizona) to represent this Association at the Thirtieth Session of your Association to be held May, 5-7, 1914.

Mr. Buckwalter will convey to you our good wishes and greetings and extend to you an invitation to visit us at our next session.

Yours very truly,

Attest:—
MORRIS GOLDWATER,
Secretary.

ALBERT STANFIELD,
President.

*

Before letting this good gathering of bankers get away this afternoon I want to say that, as President of the Association, I have had made to me an overture to purchase the Texas Bankers' Record with a view of making it a financial paper for the Eleventh Regional Reserve District.

I would like to know what the members think of disposing of this official organ, whether there should be a committee appointed to negotiate further or if you desire to continue to operate it under the present management.

I want to call special attention to tomorrow's program. Dr. R. S. Hyer, President of the Southern Methodist University, of Dallas, is coming here in the morning at 9:30 to address this Bankers' Association and he is coming from Oklahoma City, leaving the Conference of his church for that special purpose and personally I will appreciate it if you will do him the courtesy of giving him the same kind of audience that you have given this afternoon.

Tomorrow afternoon is given to the discussion of the handling of cotton by country bankers and the discussion will be general over the floor and I hope that you will find it convenient to be here.

Are there any resolutions that you desire to offer to be referred to the Committee on Resolutions, if so, I would like to have them this afternoon in order to give them the consideration they deserve.

Mr. Woodson, of Waco—We might have a committee on that proposition of disposing of our official organ. I move that you appoint that committee, if you haven't already done so.

President Adams—Do I hear a second to the motion?

Mr Huff, of Wichita Falls—I second the motion. Make it a committee of three.

President Adams—It has been moved and seconded that the President be authorized to appoint a committee of three for the purpose of taking up with the parties who desire to purchase the Texas Bankers' Record and organize, with the sanction of this Association, a paper to be published for the benefit of the Eleventh Regional Reserve District.

(Motion carried.)

This offer comes from Dallas and if it is agreeable to you I will appoint somebody who is convenient to that city as it may take some negotiations and not be closed up at this time. I will telegraph them tomorrow to come over here. I will appoint on that committee, Mr. Tucker Royall of Palestine, Mr. J. W. Hoopes of Galveston and Mr. W. W. Woodson of Waco.

Is there any further business that you want to bring before this meeting this afternoon, if not, a motion to adjourn will be in order.

A Member—I move we adjourn.

Motion seconded and carried and Convention declared adjourned until 9:30 a. m., May 6, 1914.

*

WEDNESDAY, SECOND DAY, MAY 6.

Morning Session.

President Adams—The Convention will come to order. Father Nolan will address us in prayer; the convention will please stand during the prayer.

Invocation.

Rev. Robert M. Nolan—In the name of the Father, and of the Son and of the Holy Ghost.

Come, Holy Ghost, fill the hearts of Thy faithful; enkindle in them the fire of Thy divine love; send forth Thy Spirit and we shall be recreated and Thou shalt renew the face of the earth.

O, Holy Spirit, Infinite Wisdom, preside over our meeting; fill our hearts with Thy wisdom; enlighten our minds with a ray of Thy divine light that we may understand Thy good and holy purpose in all things. Strengthen our will that we may do all things for the honor and glory of God. Enkindle in our hearts a spark of divine love that we may offer the homage of our hearts to God, the Father; teach us to love the Son and to say with him always the prayer he taught us:

Our Father, who art in heaven, hallowed be Thy



P. B. DOTY

Vice-President and Cashier Gulf National Bank, Beaumont. He is a typical Texas banker, thoroughly finished in the school of experience, standing for all things progressive, as well as safety and conservatism. He began his banking career in the Exchange National Bank of Colorado Springs, Col., away back "yonder"—about eighteen years ago—hold on, we are not going to disclose the fact that he is only 37 now! He was in the Colorado bank only four years. A few months after the organization of the Gulf National he became its Second Assistant Cashier and handled the collections. His rise has been steady and merited. He has filled every place in the bank up to the substantial one he now holds. Mr. Doty is a true friend to those he meets, and for several years he has been a familiar figure at State and District meetings. The Gulf National is one of the most prosperous institutions in that section of the State, and its importance in largest measure is due to the business-like management of its capable officers.

name, Thy kingdom come, Thy will be done on earth as it is in heaven. Give us this day our daily gifts and forgive us our trespasses as we forgive those who trespass against us and lead us not into temptation but deliver us from evil.

Glory be to the Father, and to the Son, and to the Holy Ghost; as it was in the beginning, is now and ever shall be, world without end, Amen.

In the name of the Father, and of the Son and of the Holy Ghost, Amen.

President Adams—We are fortunate this morning in having with us a gentleman who has devoted his life to the building up of a great university and one that will be a potent factor in the educational advantages of the Southwest. No man could have a higher calling than that of teaching the youth of this country the way they should live and the things they should know, the future development of it absolutely depends on that.

I take pleasure in introducing to you Dr. R. S. Hyer, President of the Southern Methodist University of Dallas.

Dr. R. S. Hyer—Mr. President and gentlemen of the State Bankers' Association.

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Vice President.

ALCHEMY

BY ROBERT STEWART HYER, LL. D., PRESIDENT SOUTHERN METHODIST UNIVERSITY, DALLAS.

ALL good stories are old and are often repeated. A recent issue of a popular periodical contained a story which illustrates how it came about that I am here today to address the Texas Bankers' Association.

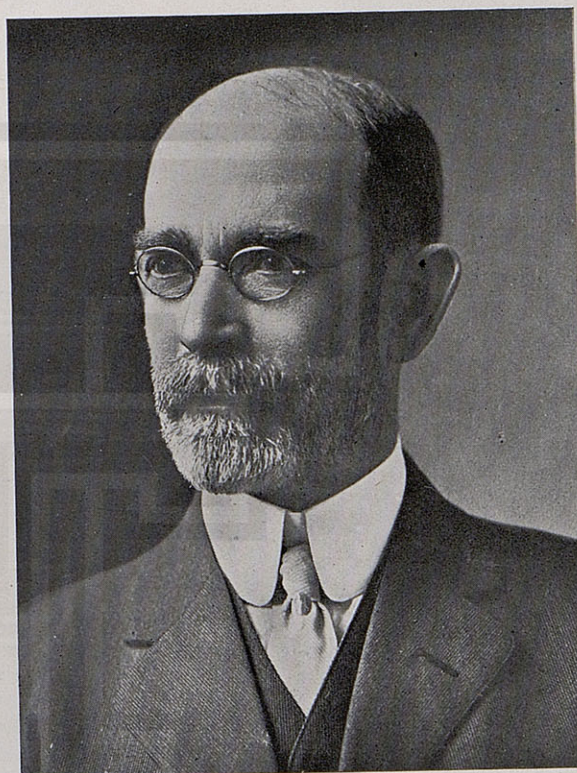
The story was a banker's explanation of how it came about that he entered the banking business. He stated that he had long regarded banking as a very desirable business; and when a friend called his attention to the fact that a certain business corner had been vacated he at once decided that though he had no experience in banking he would be sure to succeed as a banker in such a splendid location. So he rented the property, bought a lot of second hand bank fixtures, had the word "Bank" printed in big letters on the window, and opened up for business. The first day a man came in and deposited one hundred dollars; the second day another came in and deposited two hundred dollars: "By that time," said he, "I began to have such confidence in the concern that I put in a hundred dollars of my own money."

When I was asked by Mr. Adams, your worthy president, to make an address on this occasion, I at once realized that it would be a splendid place to make a speech, and for that reason I decided to accept the invitation. The college president, as well as the banker, will at times put on a bold face and accept a large deposit, shutting his eyes to the danger that an expert examiner may come along and declare him insolvent.

Science Must Change About Every Ten Years.

Before the public generally I make no such confession of weakness, but in this presence I "make a virtue of necessity." At the very outset you will discover that I know nothing of banking; that the fixtures of my establishment were all second hand, and that the reserve in the vault is below the legal limit. My only hope is, that however much you may censure me for my temerity you will not humiliate your worthy president by disclosing to the public the fact that he made so large a deposit of the funds of this Association with a "red-dog" or "wild-cat" establishment.

The purpose of this organization, I am sure, is to secure increased efficiency in the banking business of our country. To this end you must discuss both the general principles and the details of your business. Both necessarily change from time to time; the general principles changing slowly and the details rapidly. This is true of every human activity. Every science that is based upon a real truth of nature must be recast about every ten years; systems of philosophy, if they contain much truth, seldom last a hundred years without revision; even the elementary principals of morality require a new expression from age to age. Only that which man has tried and found to be untrue or worthless is free from change. Death alone fixes and makes unchangeable. Life is itself a changing adaptation to new environments. As truth must change her garb, so utility must be given new tools. Our age is one that particularly demands such changes in the garments with which truth must be clothed and in the tools with which utility must produce her results. For, ours is an



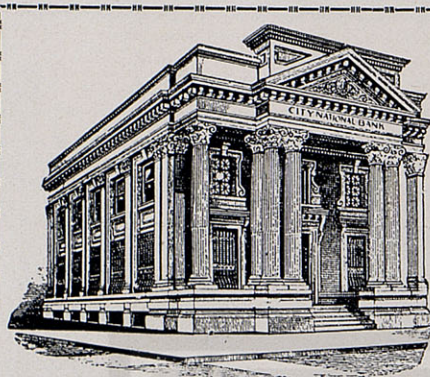
DR. R. S. HYER
President Southern Methodist University, Dallas.

age of such progress along new lines that it is without a parallel in the history of human endeavor. It may be called the age of the realization of dreams. There is now scarcely a hope or even fancy that the men of the past formed concerning their power over the forces of nature that has not been realized.

Consider, for example, the ancient dreams of men concerning methods of locomotion and communication. Homer dreamed of Bellerophon flying through the air on the winged horse; Apollodorus and Pindar added to his exploits. The Romans deemed it necessary that at least one of the gods should have winged feet that he might be the swift messenger of the others. Shakespeare, in one of his wildest fancies, had Puck to put his girdle about the earth in forty minutes.

Beginning of Modern Locomotion.

But not till the close of the nineteenth century did these dreams begin to be realized. Our grandfathers, when they were young, had no method of travel save such as were old when Abraham set out from Chaldea; and when they wished to communicate with each other they were as much limited by time and space as he was when he talked with Lot. But our grandfathers learned to travel by steam. We travel by electricity. And we know that our children will mount higher in the air than did Bellerophon when Pegasus carried him to the top of



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Olympus; they will move more swiftly than did Mercury with the messages of the gods, and with more comfort than the Persian Prince when he floated through the air upon his magic carpet. The genii that come forth when the armature of a dynamo is rotated are more powerful and more skillful than those summoned by Aladdin when he rubbed his lamp. They put forty girdles about the earth in less time than Puck was commanded to put one. They whisper in the ears of maidens; they carry the frightened cries of endangered mariners to every ship upon the sea.

In the realization of these things the banker has always had his part. The men who have discovered how the dreams of the past may be realized we call scientists. But knowledge is not always power. The actual constructions of railways, telegraph and telephone lines, stations for light, power and wireless message have always involved and expenditure of money amounting to millions of dollars. Bankers alone could organize the great corporations necessary to carry out the ideas of the scientists. It was the Professors, Morse and Wheatstone, Faraday and Kelvin who discovered how it would be possible to operate an electric cable between Europe and America, but it was American bankers who actually put the cable across the bottom of the Atlantic. It was a teacher of deaf-mutes that taught men how they might talk over a wire, but it was his banker father-in-law that filled our land with that net work of wires that makes each man live next door to all the world.

Old Dream of Making Gold.

The explanation of how the banker has been enabled to make real the great inventions which have revolutionized our age is to be found in the fact that he too has been a great discoverer. There was one dream of the ancients which the scientists of an early age once tried to make true. They worked at it long and patiently; and then gave it up, declaring it to be impossible. This dream was that gold could be artificially produced. In the early stages of the development of what we now call the science of chemistry certain facts were discovered which seemed to indicate that copper, zinc and other metals might be changed into silver, and that out of stones, which contained no gold, it would be possible, by some new processes, to extract that precious metal. For example, it was discovered that if copper be dipped into a certain liquid obtained by the action of an acid on a particular kind of red earth, it would come out of the solution with the color and lustre of silver. Certain stones

in which no gold could be detected before treatment, would afterward yield gold. Such investigations were, of course, very fascinating and were long carried on by the alchemists, as these first chemists were called, till they at last discovered that the red earth which they had used to change the color of copper to silver was only an ore of mercury, and that its lustrous amalgam was a very different thing from silver. One hope after another faded away until they finally gave up the task of finding the philosopher's stone. Fortunately, this conclusion was not reached till they had discovered so many facts that the new Science of Chemistry was readily built up out of the fragments into which alchemy was broken when the real truth dawned upon these seekers after an easy road to wealth.

New Science May Produce Gold.

One of the most startling facts in connection with modern Chemistry is the declaration by one of the greatest living chemists that it may yet be possible to realize the dream of the old alchemists. Sir William Ramsey, who was the discoverer of helium and co-laborer with Rayleigh in the discovery of argon and sharer with him in the Noble prize, has declared that gold may yet be artificially produced. Apparently he has brought about the transmutation of copper into lithium. This is new and startling evidence that all the so-called chemical elements are really composed of the same kind of stuff. If one transmutation can be made, why not another? And may not gold be included in this list? So thoroughly has Sir William Ramsey been convinced that such transmutations are possible that he has resigned his professorship to devote all of his time to this fascinating investigation. What the result may be no one will dare predict.

But, of one thing we are certain! Even if he succeeds in producing gold artificially he will not bring about a realization of the dream of the alchemists. The dream has already come true. The bankers have learned how to change things into gold; they have been doing it a long time, and are now almost like Midas, changing every thing they touch into gold. To the banker, however, this is not a power which proves to be a personal curse; it is a great public blessing.

So accustomed are we to the conveniences that arise from our modern methods of conducting financial transactions that we can scarcely imagine the inconveniences, the delays, at times the utter impossibility of certain transactions, should they be attempted without the use



KARL H. WORD

Cashier of the First State Bank, Mathis, who was chosen Vice-President of the Texas Bankers' Association, Second District. Mr. Word is a Texas product, having first entered business as a newspaper man—publisher. He became a banker in 1907, when he organized the Citizens' State Bank of Alice. In 1911 Mr. Word removed to Mathis, where he organized the First State Bank, of which flourishing institution he is the capable Cashier. Officers of the bank, besides Mr. Word, are: R. A. Cain, President, and R. Gillett, Vice-President.

of our modern agencies. Any attempt to picture society without money and without banks would become not only fanciful but silly. A true picture of society without money is necessarily impossible. As well attempt to describe how one of Raphael's paintings would look if we should remove all the paint from it. There would be left, not a painting, only a canvas with the drawing on it. So society without money would not be society; it would be the barbarism of primitive man.

It is well that society should realize this fact. Recently a banker said to me, in a somewhat sly and confidential way, that the business of the banker is to get as much as possible of the public's money for nothing and then charge the public the highest interest he can obtain when he lets them have it back again. When stated in this way it sounds rather bad for the banker, making it appear that he is only a parasite upon society and that it might be well to get rid of him if we can so arrange things to get along without him.

What is Society Without Money?

I have made one or two attempts to construct an imaginary case that would illustrate what the results would be. But in each case I have gotten into hopeless confusion. If you want to play a game more complex than chess try to work out the details of a case of this kind. To play the game fairly you must remember that when you get rid of banks you also get rid, not only of checks and bank notes, but you get rid also of gold as a single standard of values. For, it can be shown historically that it was by reason of its bankable properties that gold became the standard of value and the basis for the exchange of all commodities. Instead of taking an imaginary case of a civilized community deprived of money and of banks, we will take a case among a primitive people of the past or the savages of our own day. Here we can illustrate our

point without imagination, because we have records of what has actually happened. There are several stories of this kind, the best of which is told by Jevons.

He relates that a number of years ago a certain French singer, making a tour of the world, visited the Society Islands. It was arranged that she should sing for the natives. As there were but few coins on the Island it was agreed that she should receive, in exchange for her songs, one-third of the commodities paid for admission to her performance. At its conclusion it was found that her share of the receipts consisted of 3 pigs, 23 turkeys, 44 chickens, 5000 cocoa-nuts and piles of uncounted bananas, oranges and lemons. Had she been familiar with our modern American slang she would have exclaimed, "You dagoes! you have handed me a lemon." In an amusing letter which she wrote to a Paris paper she estimated that if her property could be sold in the markets of Paris it would bring her four thousand francs. But she stated that she could not afford to ship her property to Paris, not only on account of the cost of transportation, but also because it was evident that, at the rate at which the pigs and fowls were then eating up the vegetables, they would consume them all before they reached their destination. She therefore realized that the only personal benefit which was going to arise from her newly earned possessions would be the pleasure that would come from what she herself ate of them during her brief stay in the islands.

Go back to the early stages of civilization and you will find conditions quite similar. Had a wandering bard like Homer given a recital of his verse in the camp of his heroes before Troy, and had they realized how he would make them immortal by his song, they would doubtless have rewarded him richly, bestowing upon him articles of brass and tempered steel and ornaments of silver and gold, but nothing that we call money. Had he converted his wealth, thus acquired, into the standard of value then most widely accepted throughout the civilized world, he would have had on his hands a drove of oxen to be cared for.

Money First Meant Cattle.

Our word "pecuniary" comes from a Latin word for money, and "pecunia" first of all meant cattle. A curious survival of this ancient standard of value is found in a certain money, which till a comparatively recent time passed current in sections of Russia. It was a disk of stamped leather. It would not be difficult to imagine how in an early stage of civilization the skins and hides of animals became the standard of value. These were divisible, portable and fairly durable; in a word they possessed bankable properties. So the first banker was probably a tanner, who returned to his customer a credit slip cut from a hide in such a way as to identify the property when finally claimed. These samples of hide became what the writers on finance call "token money;" and thos process of deposit, in a place of safe keeping with its sample for identification and pledge of return, was the beginning of a banking system. Early bankers must have collected their interest from the depositor. But when the certificates of deposit began to be used as a medium for the exchange for other commodities, and were often not presented for redemption for a long time, the bankers began to see how they could make loans on their deposits. Then the forger and the counterfeiter also began business.

Skins for a long time remained standards of value, even till a high stage of civilization was reached. This is shown

by a passage in the book of Job: "Skin for skin; yea, all that a man hath will he give for his life."

Skins of Animals Excellent Money.

Only a generation ago a large group of English traders were forced to think in other terms than pounds and shillings. When the Hudson Bay Company traded with the Indian it was compelled to use the Indian's money, in which system the beaver skin was the unit of value and the unit of exchange; the skin of the martin and smaller animals being the subsidiary coins.

So long as man was chiefly concerned with the chase of wild animals it was but natural that he should know only a money of skins and a banking system of the storage of pelts and hides. But with the development of agriculture and the manufacturing arts other forms of money were required.

One of the most positive bits of evidence we now have that the Babylonians had developed a high stage of civilization is to be found among the clay cylinders that have been recovered from the ruins of these ancient cities. Archeologists tell us that certain of these cylinders are banker's receipts, pledges and notes for stamped pieces of silver and measures of grain.

The primitive bank for the storage of commodities is the only possible one among the settlers of a new country. The colonists of Virginia bought their slaves, and sometimes their wives, and frequently gambled, with warehouse receipts for hogsheads of tobacco. Even until a comparatively recent date the banker was either a warehouseman, a jeweler, a goldsmith or a pawnbroker, and sometimes he combined all of these.

History of Money a Complex One.

It is easy to imagine that such bankers had a variety of problems to solve. These problems necessarily changed from age to age, and will continue to change so long as modern society develops and becomes more complex.

The brief sketch which I have given of the past is necessarily a most imperfect one. The history of money and of banking cannot be written, like the history of every other process of evolution. The chronicler has seldom realized the blessings of his age. He sees only its miseries, the "distressful stroke" that his country suffers or inflicts on another. An occasional fossil or a curious survival of an ancient type in an isolated spot is the evidence by which we can determine early forms of money and of banking, and can trace the countless changes that they have undergone. The chief value to be derived from an attempt to reconstruct the history of finance is the positive evidence which we find that the past has been filled with changes. The moral is that we must prepare for the changes in the future.

At least one problem has been finally settled. Our one standard of value for a very long time, at least, will certainly be gold. The banker has realized this dream of the alchemist. Had the alchemist succeeded, men would have soon found that they really did not need gold so much as they had imagined. The banker is beginning to realize the same thing. The most curious of all facts connected with the exchange of commodities is the discovery that having at last found an ideal money we scarcely need money at all for our commercial transactions.

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Clearing System Devised.

The most important discovery bearing upon this subject was made, not by a congress of bankers but by a few obscure clerks from some of the smaller banks of London. Meeting secretly in a small office in London they began the clearing system, which is now universally employed. For a long time the Bank of England would have nothing to do with a scheme so new and irregular, but a system of clearances, which even forty years ago would save the expense, time and risk of daily transporting a hundred and fifty-seven tons of gold through the streets of London, could not long be ignored by an establishment so ancient and distinguished as the Bank of England.

In bringing banking to its present state of perfection the American banker has played no small part. Sometimes he has made mistakes, so unfortunate at times as to bring dire results upon his country. But, as a rule, his work has been constructive and of immense value. The honor of having originated the essential details of the system of operation practiced by the Bank of England is credited by English authorities to the Bank of Massachusetts, organized in 1790. William Paterson, the founder of the Bank of England, had been in the colonies at the time of the opening of the Massachusetts Bank and was thoroughly familiar with all of its details of operation. Thirty years ago an English writer on finance and banking expressed his regret that the English banks were not forced by law to issue a uniform national bank note, such as was found in America. Our recent legislation in regard to reserve banks will doubtless, under the direction of the American banker, fully sustain our reputation for wisdom in financial affairs.

In the past he has rendered invaluable service, not only in the development of our industries but in the preservation of our national life. The first issue of bank notes by the Bank of Massachusetts was to provide the colony with arms to protect themselves against the French and Indians of Canada. Washington could not have fought the Revolution to a successful issue had it not been for a Philadelphia banker. The fires of patriotism had burned so low during the chill winter of Valley Forge that they would have been extinguished had it not been for Robert Morris. Out of his own funds this patriot banker supplied large sums for the support of the army. In 1812 it was another Philadelphia Banker, Stephen Girard, who financed the conflict against Great Britain, after the government officials had failed to secure the necessary funds.

War and Bankers Inseparable.

The part played by modern bankers in the wars of the world have been so great that we might with much truth revise Sherman's saying that the soldiers have fought only the wars which the preachers have made. It is certainly true that the soldiers have fought only such wars as the bankers have made possible. The popular jingo ditty

"We've got the ships,
We've got the men,
We've got the money, too,"

is a recognition of the part that money plays in war. Should the banker always finance war? Does it always pay? The idea that a nation's trade may be extended by a war of conquest is not necessarily erroneous. England has certainly built up a great trade in this way. And no one can doubt that the suppression of rebellion in Mexico and the occupation of that country by our troops would

extend our trade with that country. But the trade that follows the flag is not always the most enduring one. Great Britain is now learning that lesson. The nation whose foreign trade has grown most in the last forty years has scarcely fired a shot since Sedan. While the sun never sets on England's possessions it shines on no single spot where men meet to trade that it does not disclose the stamp on many of the things which they exchange which says: "Made in Germany."

This invasion of her own colonies by German goods has become a serious menace to England. Parliamentary commissions have been appointed to investigate its causes. They have all reported that it is due to Germany's passion for education. It would be too much like "talking shop" for me to dwell on this phase of the subject. I must, however, mention the fact that the American banker has befriended not only the manufacturing interests and political life of his country but has been also a great patron of learning. The first American college to be richly endowed by a single individual was Girard College. The first real university to be properly equipped for its great work was the one at Baltimore which has done so much for high scholarship in all fields of knowledge and which has lead the way in the establishment of new ideals in medical education. It was founded by the bachelor banker, Johns Hopkins. Doubtless he was inspired to make this great gift to education by the example of a former Baltimore banker, George Peabody. Leigh Hunt and Peabody were both living in London when the former wrote "Abou Ben Adhem," and the latter may well have been the original of the one whose name on the angel's book "led all the rest."

Bankers Necessary for Education.

My own boyhood was spent at an old college in Georgia that had lost its apparatus, all of its endowment and some of its buildings when Sherman marched to the sea. During my college days it was a New York banker who made it possible for the old college to become again an alma mater to many sons of Georgia. They all revere the name of George I. Seney. Texas boys all know that a banker of San Antonio, Mr. Breckenridge, has rendered, by his wise council and splendid gifts, a great service to education in Texas.

With such splendid examples before us may we not hope that the day is not far distant when the banker, realizing that commerce and education are his allies, shall refuse to cripple them by making war possible? Such has been the glamour of war, such has been the praise bestowed upon the warrior by poets, historians and nov-

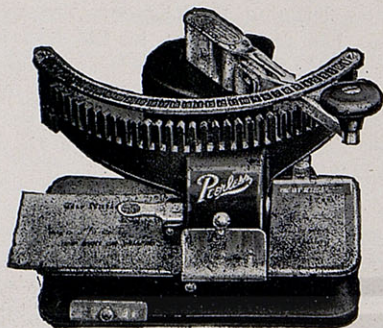
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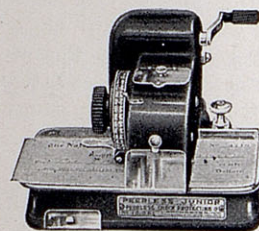
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elists, that we must turn to the sober minded banker as the man who will declare that it is not Mars, but Vulcan and Minerva, who are man's real friends, and who will issue the compelling demand for international disarmament and universal peace.

To discover how he may continue to serve his fellow men in the future as he has in the past, the banker must be a student of his age. He must not only keep abreast of the rapid development of each art and industry, but he must know also the best thought of his generation. He must have the courage to prove all things that are new and at the same time must hold fast to all of the old that is good. His fellowmen, in return for his great services, will continue to reward and enrich him as they have in the past. But they can pay him only in the kind of money which he supplies. Like the inhabitants of the Society Islands at the time of the visit of the French singer, the men of our day know but little of a great world which lies beyond the ocean that surrounds their little island.

Though they realize that they must some day embark for that unknown land, still their present needs are such that they must occupy themselves largely in the accumulation of a wealth that soon perishes and does not pass current in that larger land, and which they cannot take with them when they go. May you, who render them such service in gaining the things that they now need, be enabled to secure for your own use a few of the coins which are said to be current in the land beyond the seas. They who claim to know most about this land are agreed in at least one thing—He that gives with love, saves all he gives, for by a divine alchemy such gifts are

changed into things which endure through time and are treasures for evermore.

President Adams—I am sure, my friends, that you will agree that the President of this Association did not make a deposit in any "wild-cat" institution. (Applause.)

We have with us this morning from one of our sister states a young banker who has had the ability and the courage to come to the front. He has a reputation that when he starts to do things he does them. I understand that he spoke to the Mississippi bankers at Vicksburg yesterday and he is here this morning. What kind of an air-ship he came in I don't know, you must admit, though, that he came flying.

I have the pleasure to introduce to you Mr. W. B. Harrison, Secretary of the Oklahoma Bankers' Association, who will talk to you on the prosperity of Oklahoma. (Applause.)

Mr. W. B. Harrison—Ladies and Gentlemen: It is true I spoke at Vicksburg yesterday afternoon. I claim the record for talking. I talked the Queen & Crescent Railroad into running a special train one hundred and seventy miles from Vicksburg to Shreveport so as to get here to this Convention and it didn't cost me but one dollar to do it. (Applause.)

Oklahoma's Way to Prosperity

BY W. B. HARRISON, SECRETARY OF THE OKLAHOMA BANKERS ASSOCIATION, OKLAHOMA CITY.

IN TALKING to you this morning I suppose it would be well to divide my subject so I will begin like the old darky preacher who said, "I will devote the first one hour of my brief discussion to one division, and the next one hour to the next division, and so on." He said, "I propose in this discussion to do three particular things, to define the undefinable, to explain the unexplainable, and to unscrew the unscrutable."

I will begin this morning with the Federal Reserve Act, which is a popular subject, and I want to say on that subject just this, that I was delighted to read in the morning paper that Richard Olney had declined the position of Chairman of that Board and for this reason: It is just one more instance brought to the attention of bankers where the office has been seeking the man and not the man the office. I hope that all the other appointments on that Board will be in the same spirit and in the same way and if they are we know the system will be a success.

I see around this hall some very interesting banners—one up there says something about hogs. I wonder if the bankers of Texas know that Texas imported \$54,000,000 worth of hogs last year to supply their own local market. I wonder if they know that if those hogs had been raised here that they would not have had to borrow a single dollar to finance the cotton crop of this State, while they had to borrow last year some fifty or sixty millions of dollars.

Texas Far Behind Yet.

I see another one over here says something about silos. I wonder if the bankers of Texas know that there are only fourteen hundred silos in the whole state of Texas and that we have in the last year in the State of Oklahoma put in more silos in two counties than you have in all of Texas with your great cattle interests which need these silos in the droughty time. Fourteen hundred silos to meet the need of the hundreds and thousands of cattle in Western and Central Texas. Isn't it laughable? \$54,000,000 worth of hogs imported when Texas should be the greatest hog raising State in the Union.

I see some other very interesting signs around here, one bears the name of Henry Exall and I wish to say at this time, that probably no man has done more for the South, more for Texas and even more for Oklahoma, because his influence extended up there, than the one who was dear to us all, Henry Exall. (Applause.)

I am delighted, this morning, to come to you from Oklahoma and to bring you the greetings of the bankers of our State. We have recently become very much attached to Texas. (Applause.) I guess that word "attached" is the proper word, thanks to the modern reigning triumvirate, Messrs. McAdoo, Houston and Williams. We have always felt very proud of Texas but we are particularly proud now of the vast extent of your State, which is the only thing that separates us from the dominion of Hades, otherwise known as Old Mexico. With the Texas Rangers patrolling the border



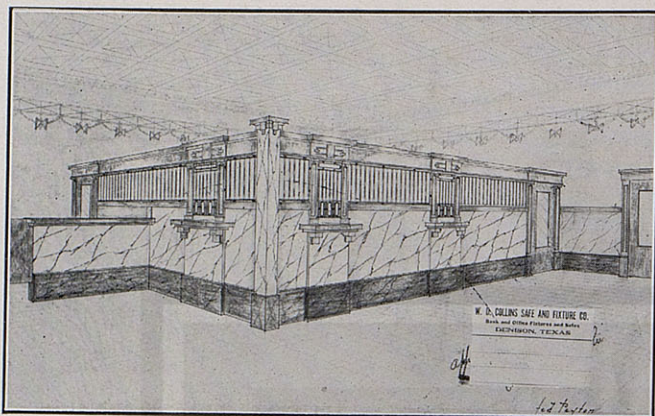
W. B. HARRISON

—and of course every Texas banker is subject to emergency service in the Rangers—we, beyond the Red River feel comparatively safe.

Oklahomans Are Strong for Texas.

Another reason why we are very proud of Texas is that many of your former sons and daughters are now citizens of our State. You know that but possibly you don't know that we have two classes of Texans in Oklahoma, those who left Texas between sunrise and sunset and those who left between sunset and sunrise. These latter usually attribute their leaving to inability to rightly read and interpret the brands on cattle. We have frequently felt that your State has been entirely too generous in contributing to the latter portion of our population, but since through the medium of District No. Eleven, you have annexed a large portion of the State of Oklahoma, we believe, that you have recovered a large number of your long lost sons and daughters, and we ask only that the standards of morality and equity which we have endeavored to inculcate into them be not permitted to decline.

You know that almost any banker can qualify these days as an expert in agriculture but, of course, some



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of them have accomplished more than others. For instance, I have been informed since coming here this morning that an Irishman, by the name of Joe Hirsch down at Corpus Christi, has recently developed through a process of adaptation and cultivation a new species of onion which has the aroma of the hyacinth and makes excellent fish bait. I have also just had a confession from your efficient Secretary, Mr. Hoopes, to the effect that he has recently applied for a patent on a reversible, disappearing hen's nest that is guaranteed to cause the hen to lay three times a day throughout the year and if fed on buttermilk to lay butter-nuts every time. I don't know what your President has done but a newspaper reporter from his home town tells me that he has been very efficient along this line, also, and that he is now working upon a milking machine which can be operated successfully from the steering wheel of a six cylinder engine without unduly alarming the cow. Now, we in Oklahoma feel that we are a little bit out-classed but I wish to add to this list the great achievement of my friend Tom Martin, who also sits upon the platform, and who has recently found a method by which pig tails can be converted into aigrettes and thus add greatly to the value of the hog at the stock-yards market of Oklahoma City.

Theoretical Farming Popular Now.

Everybody, you know, every banker and everybody else is doing something in the line of agriculture, everybody is interested in this "back to the farm" movement. We have heard it wafted from fine office buildings in Dallas and Fort Worth and we have heard it talked of

at delightful fishing resorts near San Antonio and Houston that a certain portion of our population must leave the cities and go back to the farm and a certain other portion of our population must quit coming from the farm to the city. Long-haired mathematicians, who wouldn't know a Jersey cow from a Bull Moose, have figured the exact proportion in each case; kid-gloved professors, whose shoes were never soiled by the dust of a country lane, have dilated on the obstinate persistency of rural folk who wouldn't stay where they belonged; and beautiful ladies in pink silk kimonas have earnestly solicited the milk man, as he deposited the bottle on the back porch, to be very careful lest he become inoculated with the subtle germ which is causing farmers to leave the farm.

Have you any "born orators" in Texas, Mr. President? We have a hundred thousand of them in Oklahoma and they are all running for office at the present time and about ninety-five per cent of them came from the State of Texas, so, I presume, you are short of them at this time. (Laughter.)

I remember the first time I ever heard that phrase "born orator". I was over at Sherman and walking up the street I saw a great crowd and I said to my friend, "What is that crowd doing?" and he said, "They are listening to an address by Senator Bailey. Senator Bailey, you know, is a born orator." I said, "Do you mind telling me what you mean by a 'born orator'?" He said, "If anyone was to ask me or you how much was two times two we would immediately reply, 'Two times two is four', but if you were to put the same question to the born orator his answer would be couched