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War services of American banks

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WAR SERVICES OF AMERICAN BANKS

Submitted to the faculty of the Graduate College of the State University of Iowa in partial fulfilment of the requirement for the degree of Master of Arts.

By

Henry Hsu

Iowa City, Iowa, 1920.
Introduction

Bankers and banking institutions in the United States have shouldered a greater responsibility and have obtained greater respect during the last two years than they ever did before. When the financial history of this greatest of all wars is written one of its most illuminating and important chapters will chronicle the invaluable and patriotic services rendered by our banking institutions. From the United States' entry into the war on April 6, 1917, bankers throughout the country have contributed whole-heartedly of their time, money, energy and facilities, to an extent which entitles their efforts to be classed among the deciding factors in winning the war. In the sale of over twenty-four billion dollars of Liberty Bonds, in the subscription of billions of dollars' worth of Treasury Certificates of Indebtedness, in the raising of that great humane fund of nearly three hundred million dollars for the Red Cross, of other millions for training camp activities, for Y. M. C. A. work, Knights of Columbus, Belgian Relief, and kindred organizations, in the campaign for thrift and economy, which secured material and labor so vitally needed by our government in the prosecution of the war, in the sale of War Savings Stamps and Thrift Certificates, in the nation-wide movement for increased food production to insure food not only for our boys at the front and the civilian populace at home, but also for the starving millions in Europe,
and in various other patriotic activities, American bankers have taken a prominent and highly indispensable part. In an address before the bankers at an annual convention of the Iowa Bankers Association, Governor Harding of the Federal Reserve Board made acknowledgement of the services rendered by bankers during the period of war in the following words:

"I believe it will be the verdict of history, without any reflection upon our gallant fighting forces, that the winning of the war was due in a large degree to the efforts of the bankers of America, who so nobly responded to their country's call and assumed the leadership in all the Liberty Loan campaigns. You(bankers) inspired the people to do their part; you put exhortation into practice by making loans on Liberty Bonds, in many cases at the coupon rate; you preached the doctrine of saving and economy; you were the great evangelists proclaiming patriotic doctrines throughout the land, and history is going to give you deserved praise for what you did."

Indeed, to bankers belongs the honor due to those who exhibited the finest and most generous and open-handed spirit of cooperation in every movement that looked to the winning of the war. Their record affords us most convincing proof of the unique and vital position they occupied in war finance—a position whose importance toward winning the war was second only to the fighting itself.
The public, in general, understands that banks have enjoyed a period of unprecedented prosperity as a result of the war. But there is little conception of the responsibilities which the banks faced and so nobly discharged. Again, the public realizes that banks are useful and to some extent indispensable to our modern economic society and that they are created primarily to facilitate the exchange of goods, to afford places of security for the deposit of money and valuable, to make advances to persons who want to borrow money, and to serve as a ready channel of obtaining information and advice. But the great power banks wield and the mighty services which they render pass unnoticed. A bank, in the modern sense of the word, is a quasi-public institution. Besides the technical functions of discount, deposit and issue, it has a higher and far more vital function—that of fiscal agent for both the government and the public, in time of war as well as in peace. As a business institution, a bank has no commodity for sale, it simply offers service. True, as one prominent banker puts it, that service is a duty, a privilege and an absolute necessity for a bank. It is more so in time of war, and the bankers' spirit of service found ample expression in putting every available facility and resource at the disposal of the United States Government.

As a leader in his community the banker was able to do a great deal to help in winning the war. His counsels were constantly sought, and his control over credit and the
machinery of finance exerted a tremendous influence in shaping the activities of individuals and societies for the benefit of the government. "So direct is the effect of the conduct of banks upon the happiness and prosperity of the people", says a banker in describing his own profession, "that the community has a right to demand the highest standard of right living and character in a banker." He further states that, "banking does not consist merely of securing deposits and making loans; it is a system of helpfulness and a mighty force in aiding men to higher and nobler things, and the banker who has no greater conception of his obligation to society than to create dividends for his bank, has missed the higher calling of his profession."

By virtue of his profession, the banker is bound to take a leading part in problems connected with war finance. He is the teacher of thrift, the accelerator of production, and the judge of what are and what are not war essentials. As a result of years of earnest effort and propaganda in conducting the "banker-farmer" movement, banks were well equipped to assist, financially and otherwise, the farmers in better farming and increased food production. In many activities, whether directly or indirectly connected with the conduct of the war, the banker is perhaps better qualified to serve than most persons.

With the return of peace there comes to the American people a new vision. A more generous recognition of the
importance of bankers and banking institutions to society has come as a result of our war experiences. People begin to appreciate more and more the services rendered and the sacrifices made by banks. The educational campaigns for the Liberty Loans has produced, among many others, one important result in transforming the public's former questioning attitude toward the banking profession to its present favorable opinion of them. "People have now entirely reversed their opinion of the banks and become convinced that they were not apart and aloof from the community, but were part and parcel of it, and that they were living, human patriotic institutions." The public is now interested in knowing the facts concerning the various ways in which banks have patriotically served, and want to be informed. It is for this reason that the writer undertakes to bring before the public in the subsequent paragraphs the extent of the diversified services rendered by banks that have had a more or less direct bearing upon the winning of the war. A brief summary of the discussion is as follows:

Banks' part in War Finance
Banks and the Food Problem
Protection for Investors in Liberty Bonds
Services to taxpayers
Services to soldiers
Contribution to Red Cross and other organizations
Bankers in the Military Service
It is to be understood that in performing these services, the banks are not entirely devoid of selfish motives. They hope to get, as the fruit of their activities, increased deposit accounts, larger volume of business and greater profits. The records for the last two years show that while banks have broadened their public-spirited activities, their gain in resources and profits has been equally noticeable. It is through the benefits conferred upon, and the services rendered to, the community and the public that the banks can look forward to their own benefits and gains. Banks are selfish in so far as they are aiming to have a share of the community's prosperity and success by directing their energy to achieve that success. There are also services such as contributions to the Red Cross Society and other War Work organizations, the free distribution of income tax literature, and others that give no immediate return to the banks themselves. These are patriotic services pure and simple. In the final analysis, it is just and appropriate to state that in undertaking the various services the banks have been prompted more by patriotic than selfish motives.
The Banks and War Finance

The World War has demonstrated conclusively that financial operations are nearly as important as the actual military campaigns. Mr. Lloyd George, then Chancellor of the Exchequer called attention early in the war to the importance of the financial strength of Great Britain as affecting the conduct and the final result of the war and made the following pertinent statement in regard to war finance:

"In my judgment the last few hundred millions may win this war. The first hundred millions our enemy can stand just as well as we can; but the last hundred millions they cannot, thank God. Therefore, I think that cash is going to count more than, possibly, we imagine at the present time. We are fighting a very tough enemy who is well prepared. He will probably fight to the very end before he will accept the only conditions upon which we can possibly make peace. That is where our resources will come in, not merely of men but of cash. We have won with silver bullets before. We financed Europe in the greatest war ever fought and that is what won". In war a nation spends its treasure as well as its blood. Up to June 30, 1918, fifteen months after Congress declared a state of war with Germany, the total war expenditures of the United States were over thirteen billion dollars, and the total money cost of the World War for the principal belligerent
nations to August 1, 1918, was estimated at $155,600,000,000. To wage war on the modern scale, enormous sums of money must be raised. The nation's ability to equip and supply its fighting forces with all they need to bring them to the highest degree of efficiency is no less vital than the personal ability of the men themselves.

Bankers and banking institutions by virtue of their control over credit and the machinery of finance have played a vital part in all countries in assisting their governments to finance war expenditures, either directly by absorbing government obligations or indirectly by helping in the distribution and sale of the bonds to private investors. In providing financial machinery adequate for the great requirements imposed upon the nations by reason of the war, the possession of the most sincere cooperation on the part of the country's entire banking system is imperative. Prof. Nicholson, the eminent English economist, in discussing the sinews of war said that "the country with the most efficient system of credit can conduct the business side of the war in the best manner". By necessity, great responsibilities are placed upon all credit institutions in time of war.

Happily when the United States entered the war, the country was fortified with a sound and efficient banking
system. The Federal Reserve system was well established. Under the provisions of Section 15 of the Federal Reserve act, the Secretary of Treasury was authorized to designate the Federal Reserve banks as fiscal agents of the United States government, and this authority was immediately utilized to meet the extraordinary demands. The operations of these banks as fiscal agents before the country's actual participation in the war were confined to receiving from government collectors of customs and internal revenue their various receipts and paying checks and warrants drawn upon the Treasury of the United States and coupons of United States bonds. Immediately following the entrance of the United States into the war, the banks were called upon to extend their activities over a wide field in the service of the government. Among the many new lines of activity in which the Federal Reserve and member banks did Trojan service are the following:

a. The sale and redemption of Treasury Certificates of indebtedness.

b. The sale and delivery of Liberty Bonds, the payment of coupons thereon, exchange of bonds of small denomination for bonds of large denomination, and vice versa, and the conversion of bonds of one issue into bonds of another issue;
c. The administration of deposits of the United States government in depositary banks resulting from sales of certificates and bonds, and the examination, approval, and custody of the securities pledged to secure such deposits;
d. The sale of war savings stamps and thrift stamps.

The Secretary of Treasury McAdoo in his 1917 annual report to Congress commented very favorably on the service rendered by the Federal Reserve banks as government fiscal agents in the following words:

"The Federal Reserve system has been of inculcable value during the period of war financing on the most extensive scale ever undertaken by any nation in the history of the world. It would have been impossible to carry through these unprecedented financial operations under our old banking system. The effective machinery afforded by the Federal Reserve banks for their broad grasp of the situation and their intelligent and comprehensive operation."

The Comptroller of the Currency said of the system that "it has been subjected to the severest tests and trials, and has proved itself of inestimable value. In fact, it is impossible to see how this country could have financed its
own needs and those of our Allies, as it has done, had our new financial system not been in operation”.

The banks in the Federal Reserve system were not alone in serving the Government in its gigantic financial undertaking! State banks, savings banks, loan and trust companies, and private banks voluntarily assisted with the greatest enthusiasm and success in every measure of war finance. The spirit of cooperation and service has manifested itself the country over. Formerly these banks were, for one reason or another very slow in joining the Federal Reserve system. But with the entrance of the United States into the war their attitude toward membership in the system was greatly changed. Recognizing their duty to cooperate in the mobilization of the financial resources of the country and in strengthening the position of the Federal Reserve system, thereby strengthening the nation's banking power, a great many state institutions became members.

The amendments to the Federal Reserve Act of June 21, 1917, and of later dates which made the membership in the system more attractive to the state institutions, and the ruling of the Attorney General of the United States dated September 10, 1917, declaring that state institutions joining the system were not subject to the restrictions of section 8 of the Clayton Act, contributed, of course,
to this important movement. By the controlling factor which prompted so many of the state institutions to join the system was their patriotic desire to coordinate and concentrate the Nation's banking power in response to President Wilson's proclamation of October 13, 1917, in which he urged every bank officer and director to consider the question of membership in the Federal Reserve system as a "solemn obligation". The president of one of the largest state banks in the country made the following statement regarding the bank's decision in joining the system:

"The first motive influencing the directors of this bank to vote in favor of joining the Federal Reserve system might be termed 'financial patriotism'.........The Federal Reserve system cannot become fully effective and become the great national monetary power it should be without the cooperation of the state banks".

In the report of the executive committee of the United States Trust Company of New York City to its board of directors, we find expressions relating to membership in the Federal Reserve system which are by no means uncommon. The report in part reads:

"We have heretofore considered only our own interest in determining the question of membership in the system. The situation is now, however, radically changed. The appeal
of President Wilson and the urgent money needs of the country make it the duty of every financial institution to come forward with all the moral as well as financial aid which it can lawfully furnish. Whether the facilities afforded by membership in the Reserve bank are useful to us or not, whether the conditions of membership would, having in view the restricted character of our business, in fact result in a slight pecuniary loss to us or not, such considerations are in our opinion as of no weight whatever, in view of the vital importance to our country under existing conditions of omitting no act which can, either directly or morally, either by the furnishing of resources or the exhibition of a spirit of hearty cooperation, tend to strengthen the financial system of the nation".

The American Bankers Association was very active in, and launched a nation-wide campaign in charge of a special committee in behalf of, the Federal Reserve membership movement. The Governor of the Federal Reserve Board made acknowledgement of the Association's service in this regard that: "a word of appreciation is due also to the American Bankers Association, which has continued its campaign committee on Federal Reserve membership. This committee is doing a great deal of effective work in calling the attention of state banks to the advantage to be derived from membership in the system".
In 1917 only 250 state institutions with an aggregate capital and surplus of $570,766,000 and aggregate resources of about $5,000,000,000 were members in the system, whereas at the close of the calendar year 1918, the total membership of state banks and trust companies had increased to 936, with an aggregate capital and surplus of $750,618,000 and aggregate resources of about $7,339,000,000—about 54 per cent of the total banking assets of all state institutions eligible for membership in the system. The membership movement was very gratifying and contributed in no small measure toward stabilizing the national financial strength.

A. The Bond Campaigns.

In the five Liberty Loan campaigns, banks rendered their chief service to the Government. Upon them had fallen the responsibility of carrying out the plans of the Treasury Department and directing the sales campaigns. The general direction was in each case in the hands of the 12 Federal Reserve banks, each constituted a central agency in its district for the organization of the campaign and for managing the necessary details. The Governor of each Federal Reserve bank appointed a Liberty Loan Committee, composed mostly of prominent bank presidents and private bankers,
which acted as the administrative head of the campaign for the district. Under this central executive committee were various subcommittees—committees on publicity, on distribution, and on the receipt and payment of subscriptions, and state and county committees—forming a network of Liberty Loan organizations covering every community in the district. To each Federal Reserve District was allotted a portion of each bond issue based on the estimated aggregated banking resources of the district. The Federal Reserve banks in turn using the same basis apportioned the allotments to the several states in their respective districts, and the states to the political subdivisions. The Treasury Department used the Federal Reserve banks as the official headquarters or clearing-houses for the actual handling of the bond campaigns, and through these enlisted the services of a multitude of banks and bankers. Previous to the first campaign, the Secretary appealed to all banking institutions to cooperate with the Federal Reserve banks and solicitate subscriptions. The banks generally realized that they must exert their best efforts to popularize the bonds and put them in the hands of individual purchasers, or else they will be compelled to carry the burden on their own shoulders. A great many
bankers served on the various Liberty Loan Committees, and financial institutions throughout the country became the focusing points of bond marketing activities.

Early in the first loan campaign, the American Bankers Association, with a membership of thousands of banks and a well-organized machinery reaching all sections of the country, offered its service to the government in floating the loan. The association's Executive Council adopted on May 16, 1917, by unanimous vote the following resolution which was wired to Mr. McAdoo:

"That the American Bankers Association, through its members and by the use of its official machinery in the General Offices hereby offers to assist in the patriotic work of selling and distributing the bond issues of the United States government; ---and that the Executive Council of the American Bankers Association pledges its unqualified and untiring support to the Government in any avenue in which they might find it necessary to call upon the bankers".

Immediately a committee of one thousand well-trained bankers were mobilized for service. The work was handled through an organization of Committees as follows: Executive Committee, General Committee, Reserve District Committees, State Committees, Sub-state Committees, and a Committee at Large. Circular letters were sent to banks, members and non-members
alike, appealing to them to cooperate with the government in the campaign, and "plan-books", containing the text of the law, the terms and details of the bonds, suggested methods of procedure for forming local organizations and plans for arousing the public's interest in the loan, were mailed to some 30,000 banks and trust companies. These were followed from time to time with materials including model advertisements, sermons for preachers, editorials for newspapers, talks for employers, and other valuable information and data pertaining to the campaign. The Association suggested to bankers, that they enlist the efforts of the clergy and have the latter preach on the Liberty Loan on Sundays. A model sermon, written for the General Committee by Rev. Newell Dwight Hillis of Plymouth Church, Brooklyn, was distributed by the hundreds of thousands of copies. The Association conducted a speaking tour extending over sixteen states in charge of Dr. Hillis and Mr. Lawrence Chamberlain of New York City, speakers of national reputation, and prepared and distributed 30,000 slides promoting the loan to 15,000 motion picture houses. The American Institute of Banking, the educational department of the American Bankers Association, supplied with trained and experienced speakers in the interest of the loan, and its Public Affairs Committee or Speakers
Bureau rendered valuable service in publicity and committee work. The following telegram sent to President Wilson by the Institute's president on April 27, 1917, well illustrates its sense of cooperation:

"The American Institute of Banking with a membership exceeding 22,000 bankers and bank men of the country desire to offer you its services for the purpose of assisting in the sale and distribution of the great war loan. This loan must be spontaneously successful. We all realize that the people of this country as a class are not familiar with investment bonds, and that to insure this success, there must be a vast amount of education. One form of education can be by means of practical talks to men's clubs, employees of factories, department store employees, and other similar groups of people. Members of the American Institute of Banking are equipped by systematic education and experience to make these practical talks. Through its 75 chapters located in the principal cities of the country, the Institute quickly and simultaneously can reach a large percentage of our population. Should you care to make use of our services, we could prepare and start such a campaign immediately".

The activities of the War Loan Committee of the American Bankers Association did not stop with the close of the first
campaign, and the existing machinery had been kept and improved upon in order that each recurring issue may be pushed with an even greater effect. The Association sent to a number of banks with a long list of questions as to the result obtained in the first campaign, the difficulties encountered and the reason for the same, and suggestions they would make in regard to latter issues. From the replies gathered, the Committee worked out a basis for the next campaign, and the information was made available to all banking institutions, the Treasury and other officials who were vitally interested.

As government fiscal agents, all banks were requested and in a sense compelled to handle the subscription and of the bond campaigns. They received orders and delivered bonds, collected coupons and paid interest on bonds for the holders, exchanged bonds of small denominations for those of large ones, and vice versa, converted bonds of one issue to those of another, sent notices to purchasers when the installment payments were due, and transmitted subscription funds to the Federal Reserve banks or to the Treasury Department. These and other detailed transactions director or indirectly connected with the bond issues necessitated heavy clerical work and bookkeeping, and many banks were compelled to employ
additional working forces in order to adequately handle the situation. Considerable expenses were incurred by financial institutions growing out of the advertising, selling and caring of the bonds, not to mention the valuable time and energy of thousands of bankers. As a rule, the expenditures occasioned vary according to the location and size of the institutions. In the densely populated cities and industrial centers where the banks have adequate machinery for syndicated underwritings and extensive staff of employees, comparatively small amounts of money outlay were required. But, institutions located in more remote centers have, through the lack of facilities, been put to proportionately heavier expenses. No reliable statistics are as yet available to show, so far as banks are concerned, the campaign expenses of the five government bond issues. It was undoubtedly heavier in the first loan than in the succeeding issues. In the initial campaign, the banks had the lion's share of the burden in making the loan a success, and in some localities they alone assumed the entire responsibility. The limited time allotted for preparation in this campaign made impossible the creation of an efficient national organization. "Uncertainty and conflict in organization characterized the methods of the first loan campaign" is the remark of Professor Whitney in regard to the situation in Iowa, which was generally true.
also in the other states of the Union. The campaign looked for a time rather discouraging and gloomy, and victory came only after the most desperate eleventh hour drive on the part of the banks. The heavy burden that the banks shouldered, coupled with the duplication of work, waste of material, and the lack of coordination in the efforts of all factors caused by the imperfection in organization and want of experience, necessarily led to an expensive campaign. Of the 8,000 banks who reported to the American Bankers Association, the expense of advertising and selling the bonds during the first campaign, exclusive of service of officers and employees, and heavy sundry expense, reached a total of $577,487. Among the trust companies reported, three Nebraska companies expended $8,100, making an average of $2,700 to each institution. Two in Minnesota spent an average of $2,650; two in Rhode Island $2,250 each. For the savings banks, the highest average cost per institution in any state was that reported by Illinois where 19 banks expended $7,415 or an average of $384 a piece. Forty-nine New York banks showed an average of $240. The average expense reported for California banks was $166, that for Michigan, $163, and Pennsylvania, $144. Of course, these were the
highest averages, and on the other hand, numerous other banks, state and national, announced that their campaign expenses were rather slight. The banks, to some extent, were compensated for their activities in the bond issues directly by getting more business and new deposit accounts and indirectly by gaining the public's confidence and good-will. A California banker stated that his institution received 750 new accounts as a direct result of the bank's work in the first two loans. But these benefits are often exaggerated in the minds of many, and, as Professor Whitney has aptly said, are "for the most part intangible whereas the outlay in connection with the bond issues is definite and measurable". As the actual campaign expenses vastly exceeded the amount permitted by law, the balance had to be borne by banks and other voluntary organizations. In many communities, the expenditure was met by assessing the local banks. The use of the "franking privilege" which the banks enjoyed in the earlier loans was later denied them under the ruling of the postal department. Many bankers felt that they were entitled to this privilege as they were performing an official duty, and its withdrawal aroused no little indignation.

A passing reference need be made here in regard to activities such as personally soliciting subscriptions, contributing
newspaper spaces in promoting the loans, and various other publicity works. These are well-known facts to the public. During the campaigns, banks not only contributed their own newspaper spaces for the sole interest of the loans, but urged other business institutions to do likewise. Page advertisements jointly or severally put up by banks located in the same community were to be found in practically every newspaper in the country. Personal letters were sent to depositors and customers appealing to them to do their bit. And in general bankers were very active in spreading the propogands in behalf of government loans by sending out literatures, furnishing liberty loan speakers, and by giving personal information and advice to prospective buyers.

Special offers were also made by banks to accommodate those who were willing but unable to purchase bonds by reason of the lack of ready money or the inability to meet the large, rapid payments as the Treasury plan required. One of the offers is that the banks would loan money to persons for the purpose of buying Liberty Bonds at a moderate rate of interest, or, as in many cases, even at the coupon rate. In the third and fourth loans the Iowa City banks, for an example, agreed to lend 90% of the face value of the bonds for 6 months at 6% when the current rate of interest was 7% and 8%. By means of this offer, many people were enabled to become subscribers who otherwise would remain outside of the "Roll of Honor". Another special
offer is the bank partial payment plan which made possible for purchasers to make smaller payments spreading over a longer period than the terms specified in the official installment plan. The partial payment plan appeared in different forms, but its aim was identical — to aid in the purchase of bonds. The banks in Des Moines, Iowa, adopted during the first campaign a plan whereby an initial payment of 2% of the amount subscribed was required, to be followed with 8% by June 15th, and 15% each in the six succeeding months. The most popular plan in use was one somewhat similar to the Christmas Club plan advocated by banks for the purpose of stimulating thrift in ordinary times. When the subscription was made, the buyer makes a purchase payment of $1 on every $50 bond and of $2 on each $100 bond. The balance was to be paid by a weekly payment for 49 weeks of $1 for a $50 bond and $2 in case of $100 bond. The bonds were kept by the banks as securities till all weekly payments were met. During the Third Liberty Loan drive, the banks in New York City introduced a novel feature for selling bonds on the partial payment plan. They organized themselves into an association with headquarters as central clearing houses through which all partial payment subscriptions were handled. Upon signing a purchase agreement together with the $2 paid
therefore for each $50 bond or $4 for every $100 bond, the buyer received from the individual bank a book of vest pocket size containing installment coupons with a schedule of payment dates, and in the back of which was listed the names of the many payment stations. It was not necessary to continue payments at the same station where the individual signed the purchase agreement. Each bank, or payment station, was numbered and was provided with a validating stamp containing the same number. Through this system of stamping on coupons together with a daily clearing method, this plan proved to be very successful and relieved the banks of the great amount of detail work involved in the other partial payment devices. The result showed that over $50,000,000 of bond sales were made and 1,012,000 coupon books delivered in New York City. Under this partial payment methods, while attracting individual buyers and popularizing the bonds, involved much detail, much new bookkeeping, the danger of lapses on the part of buyers and the multiplication of credit transactions of the banks. The latter were compelled under these plans to carry the potential purchasers over a long term, and they virtually became real subscribers.

A third special offer that the banks made to stimulate bond buying is the free bond safekeeping service. Many people, especially the poor and those of but moderate means, hesitated in subscribing government loans because they had no way to safeguard the bonds; and the fear of having their
bonds destroyed or lost prompted many prospective buyers to render a negative decision. A detailed discussion of the importance and necessity of this service can be found elsewhere in this paper. It suffices to state here that multitudes of persons who were otherwise unwilling to subscribe government loans bought bonds as a direct result of this offer.

A brief mention may appropriately be made here that banks have also purchased large amounts of Liberty Bonds on their own account. In the first loan, for example, hundreds of national banks subscribed on their own account an amount not less than 5% of their total resources. The purchase made in the second loan by national banks was $430,000,000 while their allotment amounted approximately to $348,000,000. Of course, banks realized that their effort must be centered in getting the bonds in the hands of ultimate investors, as heavy purchases on their own account would make their resources less liquid and thereby they would be less able to meet the government's future financial demands. But when this effort failed as the case in many localities during the first loan campaign, the banks were inevitably compelled to shoulder the burden. "In numerous cases where local investors have hesitated to subscribe the amount allotted to their communities", said the Comptroller of the Currency,
"The banks freely and ungrudgingly have assumed the burdens themselves and have taken up and paid for the full allotments of each issue."

B. Treasury Certificates of Indebtedness.

Short-time borrowing by means of treasury certificates, of indebtedness in anticipation of tax returns and long-term loans has played an important roll in America's present war financing. This method of government borrowing is not new to this country, as the United States Treasury had resorted to its use on six previous occasions. Besides meeting the immediate needs of the government, the issuance of short-time certificates has greatly simplified the enormous transfer of credit involved in the bond issues, thus obviating disturbance in the money market, and has permitted the use of the proceeds of the Liberty Loans and the Federal Revenues gradually over comparatively long periods of time and correspondingly distributed the payments into the Treasury. Since the beginning of the war April 6, 1917 to October 31, 1918, there have been 31 issues of certificates in anticipation of Liberty Loans and internal revenues offered by the Treasury through the Federal Reserve banks for general subscription by banks and individuals. These issues with their respectively amounts were distributed thus:
<table>
<thead>
<tr>
<th>1917 Income Tax</th>
<th>1</th>
<th>$50,000,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Issued in anticipation of 1st loan</td>
<td>4 issues</td>
<td>868,205,000</td>
</tr>
<tr>
<td>2d loan</td>
<td>6</td>
<td>2,320,493,000</td>
</tr>
<tr>
<td>3d loan</td>
<td>6</td>
<td>3,012,085,500</td>
</tr>
<tr>
<td>4th loan</td>
<td>7</td>
<td>4,659,820,000</td>
</tr>
<tr>
<td>In anticipation of 1918 internal revenues</td>
<td>6</td>
<td>11,624,403,500</td>
</tr>
<tr>
<td>1919</td>
<td>1</td>
<td>145,245,000</td>
</tr>
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The entire initial issue of $50,000,000 offered by the Treasury on March 27, 1917, in anticipation of the corporation and individual income taxes due in June, 1918, was subscribed for by the Federal Reserve Banks themselves at the rate of 2½% per annum, and was held by them as investments until maturity. This constituted the Federal Reserve Banks' first direct service to the government in its war financing, and the Secretary of Treasury spoke of it as "an additional demonstration of the usefulness of the New Reserve System of the country". This ante-bellum issue was only a beginning of the government's gigantic financial operation. It was soon followed by a second issue of $250,000,000 at 3% on April 25, 1917, and other offerings in rapid succession which were distributed by the Federal Reserve Banks for general subscription among the member and non-member banks. But in these latter issues, the activities of the Federal Reserve banks were confined
mainly to the sale, distribution, and redemption of the certificates of indebtedness. From time to time, these banks have also advanced substantial amounts to the Treasury for temporary requirements through the purchase of special issues maturing within a short period of time.

The Federal Reserve Banks would have been incapable of rendering the government the required financial assistance without the hearty cooperation of the member and non-member banks. The Secretary of Treasury repeatedly requested the boards of directors or trustees of each bank and trust company to reserve out of its loanable funds a definite percentage, from 1 to 2 1/2%, of the gross resources of their institutions for every period of two weeks, and to invest that amount in Treasury Certificates of Indebtedness. It was a gratifying fact that, on the whole, banks have very generously responded to this appeal. In the early issues, country banks were rather slow in showing the proper spirit and consequently the city banks subscribed far in excess of their quota. A much wider distribution was attained in the latter sales, directly traceable to the intensive work of the sales organizations. The banks outside of New York City subscribed only 53% of their
quota to third loan certificates, whereas their subscription to 4th loan certificates was 108%. In 1907, of the 1,076 banks outside of New York City (not including savings banks), 308 purchased certificates of indebtedness, and only about one-half of the subscribing banks were regular purchasers. In 1918, however, the sales were far more satisfactory and of the 1,234 banks in the Second Reserve district all but 45 subscribed to the 4th loan issues. Every offering was fully subscribed, and in the words of the Secretary of Treasury "The Treasury received the patriotic and generous cooperation of the banks of the country which deserve credit for the success of the plan".

C. War Savings Certificates.

The Treasury Department issued War-Savings Certificates during the war as an investment primarily designed to bring within the reach of everyone in the United States the opportunity of investing in the obligation of the government, and to stimulate the habit of thrift and economy. The sales campaign opened on Dec. 3, 1917, under the direction of the National War-Savings Committee appointed by the Secretary of Treasury. At the head of this committee was Mr. Vanderlip who resigned the presidency of the biggest financial institution in the country in order to offer his service to the government with a salary of $1 a year. Banks, trust companies
and many other business organizations were appointed government agents for the sale of War-Savings Certificates and thrift stamps. They furnished speakers on thrift and advertised the War-Savings Plan. The formation of Savings Societies was encouraged and effort made to carry out fully the Treasury Department's plan for the organization of such societies throughout the country. One of the model societies of this kind was organized by the employees of the American Bankers Association at New York City whose members pledged themselves:

1. To systematic saving;
2. To refrain from the purchase of unnecessary things;
3. To use their best endeavors to encourage saving and discourage unnecessary buying in their communities;
4. To secure new members for the society;
5. To invest in United States War-Savings Stamps and Thrift Stamps and to influence others to do the same.

The Federal Reserve Banks have not, in connection with the handling of the War-Savings Campaign, taken the same active part as they have in the sales of Liberty Loan Bonds and Treasury Certificates of Indebtedness. Until November, 1918, the War Savings Campaign has been handled by the National Committee and has been entirely apart from the direction
and guidance of the Federal Reserve Banks. Prior to this date, the banks simply acted as custodians of savings certificates and stamps, and delivered and distributed these to the qualified agents. A re-organization was, however, accomplished late in 1918, in order to bring the War-Savings campaign into closer coordination with the efforts of the Liberty Loan Committees. Through this change the governors of the Federal Reserve Banks assumed the responsibility of the War-Savings campaigns in their respective districts under the direction of the War Loan Organization of the Treasury.
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Services to Soldiers.

There were certain services patriotically performed by banks and trust companies during the war the value of which the public generally did not realize. Like every other business the banks endeavored to aid the soldiers in every possible manner. The selective draft law had taken millions of men out of their ordinary pursuits and their personal financial matters presented a large problem. When they went overseas, they had to be provided with special banking facilities to meet the wartime exigencies, and after their return, efforts had to be made to assist them in securing suitable positions, wherein they might be useful and happy. In these emergencies the banks have rendered a commendable service which they undertook as a patriotic venture and without regard to the cost it entailed.

A. Services to Men Overseas.

In handling the financial matters for the soldiers who went overseas numerous devices were worked out. One of these devices was the "service check" system. These checks were similar to, and served the same purpose as travellers' checks. The system was inaugurated by three big New York trust companies, namely, The Guaranty Trust, The Equitable Trust and The Farmers Loan and Trust, and they placed their services at the disposal of the banks and trust companies
throughout the country, whether they were or were not customers of these three companies. They advertised the service extensively and sent out booklets and letters to banks explaining it. The system was found so convenient and useful in rendering quick and effective financial assistance to soldiers and sailors ordered to France that a great many banks made extensive use of the scheme. In essence, a "service check" is an order by the issuing bank to pay at sight and without charge to the bearer, a specific number of francs. These checks were made in denominations of 50, 100, and 200 francs, and were sold at the official rate of exchange agreed upon by the governments of France and United States. The banks, besides charging no commission, paid the stamp tax imposed by France, and sustained the expense of distributing the service checks, so that they might be cashed at their full face value. These checks could be bought either singly or in books, and were cashable at practically any place in the Allied countries—-at the hotels, the canteens, concentration camps, behind the lines, the London and Paris branches of the three New York trust companies, and at the offices of the Bank of France and other financial institutions in England, France and Italy. To prevent dis-
honesty in obtaining funds through the medium of service checks, the purchaser was required to sign his name in the upper left-hand corner of each check and when he desired his check cashed or redeemed his signature was placed in the lower left-hand corner for identification. With this system the service checks were rendered practically safe for all purposes except through loss or destruction. In case the checks were not utilized or were not sent abroad as soon as the purchaser expected, they could be cashed at the issuing banks here. The three trust companies agreed to redeem the service checks at their issue value, and any one of the three redeemed the service checks issued by any other. Officers and men were greatly pleased with this form of banking service. It provided for them not only a convenient method of carrying money, but also a protection against tradesmen and exchange sharks who might charge them exorbitant rates of exchange in converting currency or cashing checks abroad. The trust companies had representatives stationed at the various embarkation camps to supply the men who were going overseas with this special service. So great was the demand, that these representatives were kept busy constantly. "Regular banking hours are unknown to these service salesmen", remarked the Guaranty News, a monthly publication of the Guaranty Trust Company, "from early morning until late at night and sometimes all night--they make their sales to
the soldiers in order that all the troops may be supplied before going abroad. The service checks, unique and useful as they were, had inherent disadvantages. They were subject to the danger of loss or destruction, and at times it was inconvenient to carry them. The chief weakness of the scheme was its inflexibility; it was not capable of meeting varied individual conditions. If the amount of these checks purchased was more than sufficient for immediate needs, the men were unnecessarily burdened; on the other hand, if the amount was not sufficient, other facilities for obtaining money had to be used. What the men in the American Expeditionary Force wanted was a convenient and elastic means of getting money when needed and in the amount desired on each occasion.

Another plan for financing the soldier was to permit him before going abroad, to open an account with any of the prominent New York banking institutions which offered foreign banking facilities. These accounts were immediately transferred to the banks' London and Paris branches or correspondent offices and through the latter
to French and English banks and their branches. The individual who opened an account was given a check book, and the checks were cashable in any bank in France or England where arrangements had been made by the issuing banks. A Guaranty Trust Company check, for instance, was cashable not only at its London, Paris, and Tours offices, but at any of the 170 branches of the Bank of France, which are in every principal city of the Republic. The problem of ascertaining the actual balance in any account gave the banks no little difficulty. To overcome this and to obviate any possible delay which might arise in this connection, some prearrangement as to the amount to be drawn each time and each month by any one person had to be made. The Guaranty Trust Company made a schedule so that any commissioned officer below the rank of Lieutenant-Colonel could cash his check for 150 francs at any one time and might do so six times in any calendar month. A Lieutenant-Colonel might draw 500 francs at a time, and a general 1,000 francs. An interesting story appeared in the Guaranty News which will help the reader to see more concretely the benefits enjoyed by the officers and men in service, resulting from the efforts made by
banks and trust companies to handle the soldiers' financial affairs:

"A Lieutenant in aviation who was about to go overseas called at our main office in order to arrange his financial affairs before leaving this country. He was on his way to London, with the possibility of being detailed to France in a short time. Through the overseas division of the foreign department, he opened an account with the company's London office with a small deposit which could drawn upon as soon as he arrived in England. Information regarding this new account was immediately cabled by the company to London, and the lieutenant was given a small check book for his use abroad. With this arrangement he could introduce himself at our London office, where the various facilities for men in the service would immediately be available to him. It was further arranged that his pay check, less his mother's allowance, should be allotted each month to the company's main office. This amount would be credited by cable advice to his account in London. If at any future time he desire to have his London account transferred to the Paris office of the company, the company will arrange this for his convenience."

A third method of handling financial matters for the soldiers abroad was the extension in the use of one of the most
popular services of American banking—drawing personal checks on home banks. The scheme was introduced by a number of New York banks, notably the Irving National Bank, the Hanover National Bank and the Guaranty Trust Company. All that was required was that the individual have an account with a bank at home, no matter where such bank was located. Through the arrangements made by the New York institutions with their branches and correspondent offices in England and France, with the English and French banks and their branches, and with the local banks where the service men had their accounts, the members of the American Expeditionary Force could obtain money in any Allied country simply by cashing their personal checks on their home banks. Thus one was not obliged to carry letters of credit, travellers' checks or service checks. "One may take his bank book with him to France and conduct his financial affairs 'over there' on a check book basis, just as he does at home".

Briefly the system works in this manner. If an officer or enlisted man is expected shortly to go to France and if he has not already a bank account, he can open one with his local bank under an arrangement whereby he instructs the War Department to send his monthly pay check to the bank,
He then arranges his drawing in France up to a monthly limit of an amount equal to his pay less the amount allotted to his wife, mother or sister. The out-of-town bank then sends a memorandum of the transaction to the Irving National Bank, or Hanover National Bank; or any other New York institution which offers such facilities, and by these latter institutions copies of the memorandum are made and forwarded to the banks abroad. When money is needed, one has only to enter one of the European banks and sign his name to a check. The checks must be drawn in favor of the person who signs them, must be endorsed by him, and presented by him in person. The signatures are compared with the cards already on file to insure proper identification. The whole transaction is in exactly the same form as it would be if the customer entered his home bank where he keeps his account. No expense was involved in securing this service. The only requisite was a bank account and the local bank's guarantee of that account.

The system used by the Guaranty Trust Company required that the local bank execute triplicate revolving credit blank forms, the original being retained by the beneficiary as means of identification, the second and third copies being sent to the office of the Guaranty Trust Company by the
bank issuing the credit. The Hanover National Bank relates that it arranged these credits for thousands of officers and men, and one of the bank's inner rooms was full of men in uniform practically every minute of the business day.

Of the numerous devices that have been worked out in providing banking facilities for those who have gone to France in the nation's service, the revolving credit system was for all intents and purposes the most desirable and convenient. The soldier was relieved of some of his financial worries, and the burden and responsibility of taking care of his funds was shouldered by the banks.

With millions of American soldiers and sailors in service across the water, the volume of money transactions flowing to and from this country between the men and their friends and relatives at home, has been extremely heavy, and this gave the banks another opportunity to serve. Many banks offered and advertised a service whereby anyone desiring to send money to an officer or soldier in service abroad might do so through them free of charge. The banks agreed to attend to the remittances and guarantee their safety without commission. The service was not confined to depositors and customers of the banks or to those of their correspondent institutions, but was available to all persons.
Similar offers were made to members of the American Expeditionary Force who wished to send money to the United States. Some banks extended this service throughout the period of the war; others offered it only during certain periods such as Christmas and New Year. In giving the Christmas overseas service free, the Guaranty Trust Company stated, "Money for overseas remittance can be deposited with the company and will be transmitted to its London, Paris or Tours offices for delivery abroad. No charge whatever will be made for remittances sent by mail. For those sent by cable a charge to cover only the cost of cabling will be made". Persons out-of-town who wanted to avail themselves of this service did so by requesting their local banks to remit through the Eastern institutions, and the local banks, like the latter, made no charges.

The three New York trust companies, the Guaranty, the Equitable, and the Farmers Loan and Trust, were designated by the Government as United States depositories abroad to conduct banking and financial operations essential to American military and naval activities in Europe. These trust companies served as paying and receiving agents for United States paymasters. The Guaranty Trust Company of New York in Paris attended to the Army disbursements, the
Paris office of the Equitable Trust looked after the Aviation and Ordnance disbursements, and the Farmers Loan and Trust took care of the disbursements of the Navy. A number of branch and special agencies were established by these companies for the sole purpose of providing additional facilities for the financing of American forces abroad. The Guaranty Trust opened one branch in London and another at Tours, France. The latter branch was established for the exclusive use and convenience of members of the American Expeditionary Force, and no general banking business was conducted there. As additional offices for the distribution of wartime services, the Farmers Loan and Trust Company also opened special agencies at Bordeaux and two other places within the sectors occupied by American troops. Invaluable services were rendered to men in all branches of the United States government overseas service by these trust companies in providing quick transmission and conversion of United States drafts and credits into foreign currencies and in obtaining uniform and advantageous rates of exchange. The Paris office of one of the companies equipped reading, writing and rest rooms, a postoffice, and provided a special teller for the convenience and comfort of Army and Navy men.
The same company also introduced another novel feature in banking. An automobile bank was put into commission for the use at the battle front. The frame of this motor bank, the "flying bank" as it was called, was built of oak and armored with thin plates of sheet iron. It was equipped with a small, strong, safe, securely installed, two paying windows, an adjustable counter, small built-in desks, lockers for stationery, and a small electric lighting system. The seats inside were so constructed that they could be converted into berths for sleeping purposes. The bank travelled constantly behind the battle lines. It was of great assistance to disbursing officers in transporting money to the various camps and fronts, and it enabled the soldiers to cash their checks or buy drafts on the spot.

The following circular letter was sent by a group of North Dakota bankers to men drafted from that state and who were ready to be sent overseas:

"Services and facilities of the undersigned banks and anything our experience and ability, in any of your personal matters requiring attention during your absence in the service of your country are hereby offered free.

"All soldiers wearing our country's uniforms look alike to us, so this offer is extended alike to officers and
enlisted men and to those who may enter the service under the selective draft.

"It is the same whether you have previously had an account with us or not, or any bank account at all. Our offer stands good until the war is ended and here's hoping you will all return to us accompanied by victory".

The letter typifies the attitude of banks and trust companies throughout the country and their earnest desire to assist all those actively engaged in the war service of the country and who were therefore obliged to give up direct supervision of their personal business interests. Some trust companies offered their trust facilities without charge during the period of war. One could entrust the banks with his securities either for safe-keeping, or, by the voluntary trust system, he could give them discretion in the management of these securities. It is impossible to state the extent or scope of the service which the banks have, freely or at the bare cost of handling, given the soldiers in managing their personal affairs. Some individuals needed one type of service, while others demanded another type. On account of varying local conditions these services are not subject to any general classification.
The Trust Company Section of the American Bankers Association worked out some suggestive advertisements to be used by trust companies in placing before the men entering military service the various trust facilities at their disposal. This list enumerated the following services:

To collect income from all sources and deposit, remit or invest as directed.

To keep safely checks and bonds and to sell, if directed the proceeds to be deposited, remitted or reinvested.

To manage real estate, collect rents, pay taxes, make repairs.

To pay from funds as designated, life, fire or burglary insurance premiums, dues, taxes or other debts.

To prepare and file income tax returns and pay taxes.

To carry out existing contracts until fully discharged.

To use power of attorney, when given, for protection of business or personal interests.

To act as executor and trustee under will in case of death.

This list cannot be considered exhaustive, as there were many kinds of service rendered by banks or trust companies that formed distinct categories. The Trust Company Section of the American Bankers Association named a committee on Fiduciary Protection for Men In Service and charged it with
the duty of stimulating the interest of trust companies in the assistance of the soldiers in their personal business affairs and to suggest ways and means of doing so. The purposes and aims of this committee were clearly stated by its chairman, Mr. H.C. Robinson in a letter addressed to the member trust companies. The letter in part read thus:

"Our men who are in Uncle Sam's service are given every possible form of attention except with regard to the business affairs which they have left behind them. For that reason, the Trust Company Section of the American Bankers Association at its annual convention in Chicago appointed a committee to consider this very important service. In this new draft law there will undoubtedly be men who have accumulated property and who will be perplexed to know how to arrange for the care and custody of this property while they are away in the government service. Here is an opportunity for trust company service which should not be missed, because it will make for a higher morale among the men who are going into the Army and Navy. It is just as important that our soldiers and sailors be mentally fit as to be physically fit. These men having property and business interests, with dependents who must be supported by income from the same,
will become better soldiers and sailors if their minds are at ease with reference to the management of their affairs at home".

B. Services for Army Cantonments.

With tens of thousands of men stationed in each of the army cantonments and with the responsibility of the War Department ceasing after the salary warrants were given to the soldiers and officers, it became at once apparent that certain banking facilities, such as transmission of funds to the families of soldiers, granting of accommodations in the way of cashing checks and drafts, providing proper agencies for receiving savings, rendering service to friends and relatives, and others, must be provided for. Banks located in the cities or towns adjacent to these army cantonments took great interest in establishing facilities for the care of the soldiers, and they conceived the idea of maintaining branch banks inside the cantonments, so that their services would be more fully utilized. The banks of Atlanta, Georgia, as pioneers in this new venture, proposed to organize a national bank, to be jointly owned and controlled by them and to be situated inside the cantonment at Silver Springs, Georgia. They secured a charter from the Comptroller of Currency with the approval of the Secretary of War. But
Secretary Baker afterward revoked his approval on the ground that it would open the door to his approving the establishments within the cantonment of any enterprise making application. Banks in some 15 other cities where cantonments were located made a similar effort and met the same fate. The Secretary's decision only spurred the banks to discover other means by which they could adequately serve the officers and men in training. The banks of Spartanburg, South Carolina, for instance, launched an extensive cooperative advertising campaign to make known to the soldiers in training there the various facilities and services that the banks were offering them gratis. The work was conducted in accordance with a plan devised for them by the Savings Bank Section of the American Bankers Association. The plan called for the creation of three committees: one on banking service, composed of one director and the president of each bank in Spartanburg. This committee directed and framed the policies for rendering banking service. A second was the committee on administration. This was the working committee, having active charge of the campaign to carry on the plan. A third was the advisory committee of three whose duty it was to give advice and cooperation in the execution of the plan. A series of service folders were distributed to officers and men.
Service forms describing every possible banking service that the soldier might desire were put in the Y.M.C.A. "hut". One needed only to suggest what character of service he desired and drop the suggested form in the service box provided in the "hut" for that purpose, and prompt attention was given by the banks. Upon the arrival of the troops a letter was sent to each officer in the cantonment by the committee on banking service which read:

"The citizens of Spartansburg wish to make you as comfortable as possible. We have the facilities; we have the machinery for rendering such service that will promote your convenience. From time to time you may desire to transmit funds, to secure accommodation, to obtain information with reference to the community, and to find the best means for the care of your friends and relatives visiting you. We have anticipated all of this and we are ready to serve you. We are going to make your stay in Spartansburg a most happy one. This we account as a privilege not only in serving our country, but to let you know how much we appreciate the great sacrifice you are making for our country. Our banks are well equipped, safe and sound, so that your needs will be well taken care of. We believe we are serving our country by serving you".
C. Services for Returned Soldiers.

For the returned soldiers the banks did two things. One was to reinstate former employees who had answered the nation's call. Practically without exception banks throughout the country have taken back upon their return all of the men who had left the bank for the defense of their country. These men had been assured at the beginning that their positions in the banks would be reserved for them. In numerous cases these men, while in the service, were given their pay or half of the pay which they were getting at the time they left. Some banks paid their soldier employees the difference between their army pay and the salary they had been receiving. The banks were not only willing but anxious to have the soldiers return to them, and they found these former employees, after a period of military training and experience, to be better and more reliable workers. From Iowa one banker writes: "We find that the young men who have had this experience have in every case developed mentally and physically, and are taking more interest in their work, showing more enthusiasm and seem to appreciate their opportunities more seriously than they did before". One banker from Maine says: "The men who have been in the service are in a way more valuable than they were before, as their experience in the army has seemed
to bring to them a keener realization of the benefits of application to their work". An another from Maryland says: "We find that their efficiency has not in any way been affected by their experience, but on the contrary, we think they show keener application to their duties". There is no question that a great majority of the returned soldiers were desirous of returning to their former tasks, and opportunity was always given them by the banks in case they so desired. A few typical expressions are herequoted to show the spirit in which the banks faced the problem and handled the situation.

From Illinois--"This institution passed a resolution during the war that it would not only take back upon their return all of the men called into the service, but that it would pay them, in addition, half of the salary which they were getting at the time of leaving".

From Massachusetts--"We are taking back all of the returned soldiers and sailors and placing them in their former positions at such increase in salary as they would have received had they remained here during the war".

From Ohio--"We have adjusted their salaries proportionate to the amount paid other help, giving them the benefit of any increase during their absence, and if they remain in our
employ for another year, they are to receive an additional salary bonus equal to the difference between the amount of salary which we paid them at the time they were drafted and that which they received while in service".

The banks' second line of endeavor in assisting the returned soldiers was to cooperate with other agencies in organizing soldiers' employment bureaus. In cities and industrial centers where the soldier employment work has been conducted by governmental and other agencies on a large scale, the banks' part is essentially one of cooperation. But in smaller communities where other agencies are absent, the banks have assumed the entire responsibility for securing employment for the men. The Farmers and Merchants Bank of Greenville, South Carolina, for example, has organized an employment bureau the object of which is to assist disabled soldiers who may return to Greenville in securing suitable positions. The banks' services are free both to soldiers and employers.
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Services To Investors In Government Bonds

A problem growing out of the recent Liberty Loan campaigns and over which the banks have expended no little energy, is the problem of providing adequate ways and means to protect the great army of government bondholders. According to leading authorities on investments, there were, before this government entered the war, not more than a quarter of a million people in the United States who owned or ever had owned a bond. As the result of the nation-wide campaigns conducted in the interest of Liberty Loans, there are now over 22,000,000 new bond investors. In pre-war days about one person in every 285 owned bonds, whereas now the ratio between bondholders and non-bondholders is about one to five. No longer true is the statement that France is a nation of bondholders, England of stockholders and the United States of life insurance holders. America today is virtually a nation of bondholders. Interesting facts are revealed in the statements of the Secretary of Treasury relating to the number of subscribers to, and the amount of each denomination of, the five government loans, including the Victory Loan. Take, for example, the Third Liberty Loan. This was subscribed for by 18,376,815 persons, and of this number, 18,354,315 or 99.8% subscribed in amounts ranging from $50 to $10,000. 23,328,915 coupon bonds of par value of $3,703,183,650 were issued as against 933,533 registered bonds with par value of only $372,
466,850. Of this vast number of coupon bonds, 21,104,696, or over 90% were bonds of $50 and $100 denominations.

From these figures we may conclude that a great majority of the 22,000,000 men and women who subscribed to the various government loans bought bonds of small denominations and in the form of coupon bonds. The coupon bonds, by their very nature, are payable to bearer and not to order, and therefore once lost or stolen, these bonds can not be recovered by their legal owners, unless sufficient identification can be established. This is exceedingly difficult if not entirely impossible. A bona-fide purchaser of lost or stolen coupon bonds has a better claim on the bonds than has the original lawful owner. It is estimated that over $2,500,000 worth of bonds have already been lost or stolen. Due to the increased number of burglaries and to the ease with which coupon bonds are subject to destruction or loss, the small bondholders are strongly inclined to dispose of their holdings at the current depreciated market prices rather than to run the risk of having their bonds stolen or destroyed, and in doing so, they not only incur a financial sacrifice to themselves but defeat the government's very purpose in floating the loans. Most of these people bought bonds not for investment purposes, but as a patriotic duty, and many of them went without necessities in order to cooperate with the government by lending their hard-earned savings.

For the rich, the purchase of 4% or 4 2/3%, partially
tax free, government bonds entailed no particular inconvenience, nor required any self-denial. For the poor, however, and those with but moderate means, it was necessary to practice self-denial and sacrifice. To the rich, the problem of the safe-keeping of government bonds presented no difficulty. But to the poor, it meant endless worry and care. The question, "What do I do with the bond after I get it?" had been frequently asked by multitudes of small bond subscribers both during and after the Liberty Loan campaigns. A great many of them were, and still are, selling and losing their bonds because they do not have a safe place to keep them. They can ill afford to rent safe deposit boxes, and even if they could, it would not pay them to do so merely for the safety of a few $50 or $100 bonds. These people gave a wonderful example of ideal patriotism by purchasing government bonds in the stress of war. Their conduct and cooperation would be all the more significant, if we should compare the amount of bonds these people bought in proportion to the wealth they possessed, with the same proportion bought by the richer classes. It is therefore a public service and duty to see to it that proper and adequate provisions for the safe keeping and protection of Liberty Bonds are made on behalf of the millions of government bondholders.

A feature of some of the belligerent governments' war loans is the offer by the government banks to hold bonds in safety. Thus, both bonds and Treasury Certificates issued by the German Government could be deposited for safe keeping at
the securities department of the Reichsbank, which would collect and forward interest to depositors without charge. Such privileges were usually extended for a period of one or two years, and the deposits could be withdrawn at any time without restriction. Holders of the First and Second War Loans of Hungary were permitted to deposit their holdings free of charge at offices designated by the government and at the main office of the Austro-Hungarian Bank and its branches. The same privilege was given to subscribers for English and French war loans. The offices of the Bank of England and those of the Bank of France would, upon request of subscribers, receive bonds for safe keeping without charge. The United States government in floating its Liberty Loans allowed no deposit privileges to bond buyers, though it could very advantageously have designated the Federal Reserve Banks as bond depositories. In view of the lack of government provision, the banks were called upon to perform a service of superlative importance, especially to the small holders of government bonds. The safe keeping service in a sense is rightly a part of the banks' duties as government fiscal agents in time of war, and as such, their duty is not fully discharged until proper measures have been taken to protect the government bond purchasers most of whom are not ordinarily buyers of securities and do not usually have safe deposit boxes.
It remains to be seen then just what banks did in this respect. First of all, they offered to bondholders safe-keeping facilities free of charge. The bonds were stored in the banks' own vaults, and special pass-books or Liberty Bond receipts were issued with descriptions of the bonds listed therein. Coupons were clipped as the interest became due, and the amounts were either forwarded to the depositors or credited to their savings accounts, if there were any. Second, the banks endeavored by earnest advice, whenever opportunity was presented them, to have their customers and all those coming in contact with them exchange or convert their coupon bonds into registered bonds. The latter bonds are payable to registered owners or "registered assigns," and can be transferred from person to person only by assignment executed in accordance with the Treasury regulations. The registered bonds possess the element of security and give their owners the desired protection against loss or theft. And third, the banks, with a view to discourage the selling of bonds by their owners and to encourage them to be permanent holders, made loans on Liberty Bonds at a moderate rate of interest rather than have people sell their bonds at the prevailing market prices, which, of course, would be at a sacrifice.
A. Safe-Keeping of Bonds for Small Holders

It was generally realized soon after the First Liberty Loan that the great obstacle to the popularization of investment in United States government bonds by the masses of the American people was the fact that wage-earners, shopkeepers and farmers usually do not invest in bonds because they have no facilities for safe-guarding them. To induce these people to invest in government bonds, it is necessary to provide such facilities. The banks in the state of New York adopted as far back as October, 1917, a plan to handle and care for bonds of small holders. The banks receive Liberty Bonds from their depositors, and make entries of deposits and withdrawals respectively on the last few pages of each bank book. Coupons are clipped, collected or credited to the depositor on presentation of the bank book, as is interest on money deposited. Banks can operate this system without introducing any new mechanism or instrumentality. The author of this plan has aptly put it: "It will be noted that this plan does not involve any extra expense whatever. The means of identification employed for the protection of both the bank and the depositors in regard to deposits and withdrawals of money and in the event of the loss of the bank book apply automatically to deposits and withdrawals of United States bonds. The same clerks who receive money for deposit receive bonds for deposit; the same clerks who pay
out money withdrawn deliver bonds withdrawn; the same book of deposit is employed both for money and bonds." The plan helped so powerfully to popularize government loans among the masses that the Banking Department of the State of New York recommended its adoption by all state and savings banks of that state. Banks of other states, following the lead of the premier banking state of the Union, offered the same facility to small bondholders. Aside from the mere safe keeping and coupon collection for the masses among whom the practice of renting safe deposit boxes, clipping coupons and depositing them is comparatively unknown, the plan has the further value of associating investments in United States bonds with savings in the minds of the masses of our people. Being enabled to deposit their bonds there, these people will soon appreciate the services of the banks and will eventually bring them more business. From this standpoint, therefore, the bond safe keeping service is to the banks a profit and business-getting enterprise rather than a burden.

Numerous other plans to care for Liberty Bonds and War Savings Certificates have been worked out and successfully employed by banks throughout the country. Nearly all banks are custodians of bonds owned by their customers, and each bank prefers a system to fit its own peculiar requirements in handling the bonds. One of the best of the systems devised for this purpose is that prepared by the Minnesota Bankers
This system provides for two kinds of certificates as depositors' receipts. In one kind of certificate the issuing bank assumes all liability of loss, and in the other the bank limits its liability and will assume no responsibility beyond exercising that same degree of care which is given the bank's own securities. The certificates are not transferrable, and bonds deposited can be withdrawn at any time upon surrender of the certificates.

Another system that has been commonly used by banks is the one prepared by the First National Bank of Youngstown, Ohio. It provides for an agreement regarding the deposit and withdrawal of bonds and Savings Certificates, a receipt in the depositor's pass book for his bonds and Certificates, and an elaborate and accurate method of filing and recording. Each bond depositor is required to sign a "Liberty Bond Agreement", which reads "I hereby deposit for safe keeping with the above named bank the Liberty Loan Bonds described on the back of this card. The bonds are to be held for me in connection with my savings account, and to be returned to me upon request, and on presentation of my savings book in which receipt is given for the bonds. The coupons are to be detached as they mature and credited to my savings account."

Bonds left for deposit are filed according to issue and maturity of coupons and denomination. In keeping the bonds, the banks carry two general ledger control accounts, the one
under the resources is called "The United States Liberty Loan Bonds deposited for Safe-Keeping", and the one under the liabilities is entitled "Deposit of United States Bonds".

The bank does not guarantee to return to depositors the identical bonds they deposited, but does give them bonds of the same denomination and the same issue. Registered bonds are handled after the same manner with the exception, of course, that the bank does not collect the interest and that the identical bonds must be returned to the depositors.

The bond safe keeping service is one which banks are better equipped to perform at a trifling expense than any other institution. Tellers take care of the deposit of bonds and the War Savings Stamps with little or no interference to their regular routine work. Most banks render this service free. But still there have been cases where a small fee is charged. Furthermore the service is generally conditioned by a savings account requirement. That the small holders of government bonds greatly appreciate this service is evident from the fact that many savings account have been opened for the express purpose of enjoying the bond deposit privileges. Too much emphasis can not be laid upon the importance of the safe keeping facility for these people. One banker tells us from his experience that: "There is a touch of the dramatic to the depositing of Liberty Bonds by many people. One man came to the bank early one morning before banking hours and
deposited three bonds. We noticed that they were slightly burned on one corner. Upon being questioned, the owner said there was a fire in his home the night before and that the bonds were saved after much difficulty. The fire brought home the value of Liberty Bond safe-keeping service. A woman came to the bank and said she had not been able to sleep all night for fear of losing her bonds. She had received the bonds the day before from another bank and had kept them in the cupboard overnight. Without exception, people heave a sigh of relief when they deposit their bonds, because the bonds often represent the savings of a life time and their loss would be a calamity."

B. Advise People to Get Registered Bonds

For the convenience of investors the government issued two kinds of bonds in each Liberty Loan, the coupon and registered bonds. Coupon bonds were intended for small and temporary investors, while registered bonds were designed for large and permanent purchasers. The latter bonds are certificates made payable to the owner, whose name and address are entered on the books of the Treasury Department at Washington, and whose name appears on the face of the bonds; title can be passed only by executing an assignment according to Treasury regulations and having the owner's signature witnessed by the
proper official. In case of the loss, theft, or destruction of registered bonds, immediate notification of such fact should be sent to the Secretary of Treasury, and duplicate registered bonds will be issued to the owner by the government. Section 3704 of the United States Revised Statutes provides as follows:

"Whenever it is proved to the Secretary of the Treasury, by clear and satisfactory evidence, that any duly registered bond of the United States, bearing interest, issued for valuable consideration in pursuance of law, has been lost or destroyed, so that the same is not held by any person as his own property, the Secretary shall issue a duplicate of such registered bond, of like amount, and bearing like interest and marked in the same manner as the bond so proved to be lost or destroyed."

Interest on registered bonds is paid by check directly from the Treasury Department. This form of bond is undoubtedly the most desirable and ideal investment for those who intend to hold the bonds till maturity, as the purchaser is relieved from care and worry.

Coupon bonds are payable to bearer, exactly the same as bank notes. On account of the ease with which those bonds can be transferred and also because of the ease with which the interest coupons can be collected, coupon bonds are preferred
for temporary investment, by those who may wish to sell them within a short time and who wish to avoid the trouble attending the sale of registered bonds. This explains the fact that a large percentage of bonds in each of the government loans is in the form of coupon bonds. When coupon bonds are lost or stolen and are acquired by a bona-fide purchaser from a finder or a thief, the latter's title is superior to that of the former owner, and the mere fact that such lost or stolen coupon bonds have been advertised by their numbers will not invalidate the title of an innocent holder for value. There is no provision in the Federal statutes under which the government will undertake to replace lost or stolen coupon bonds. These bonds are negotiable without endorsement or order, and for that reason, the Treasury Department recognizes only the bearer as entitled to payment.

The government issued the coupon bonds for two reasons: first, to induce those people to invest in government loans who might not willingly purchase registered bonds, and second, to relieve itself of much clerical work in handling the bonds. The banks too, for the latter reason, usually advised the purchasers to take coupon bonds rather than registered bonds, especially if the smaller denominations were bought. Some of these bonds were soon converted into cash by the holders and found their way to the safety-deposit vaults in our cities;
others were used as a medium of exchange thereby passing from one hand to another, and still others were held by the original subscribers for permanent investment. After a period of transfer and adjustment all the bonds would eventually fall into the hands of permanent investors who would hold them till maturity. To protect these investors and also as a relief to themselves of a great deal of responsibility and work, the banks then urged their customers to have the coupon bonds exchanged for registered bonds. "During the first issue", stated a banker from Kansas, "We rather encouraged the people to buy coupon bonds, because we thought it would be a short time only until they would want to be selling them, and it ought to be to their advantage to have the coupon bonds." Then he went on to explain why he afterward urged his customers to exchange coupon bonds for registered bonds, "and those who still have their coupon bonds, as fast as they come to the bank now, we get them to give us permission to send them in and have them registered, and when we send them in and have them registered we not only have that as a matter of protection to the customer, but also it will save us work in the future, during the period when these bonds are to go in." In discussing the value of having the coupon bonds registered, another banker remarked, "We have sold $135,000 of bonds, and I have recommended that to all my customers, and 90% of our bonds are registered." The Kansas City Federal Reserve Bank
during the Victory Loan drive sent out cards to their customers requesting them to have their bonds registered. Banks in this reserve district directed the cards to all persons to whom a bond was sold and they brought in the bonds and had them registered. While numerous banks sold coupon bonds during the loan campaigns and then afterward induced the purchasers to these exchanged or registered, others persuaded their customers right at the beginning to buy registered bonds. Having the bonds registered means not only the solution of many of the difficult problems connected with the caring for and safe-keeping of the bonds, but it would also have a tendency to promote permanent ownership. To their own advantage as well as to that of the holders, banks should impress upon the people the desirability of having their bonds registered and advise them, when it is possible, that they buy these bonds to hold them.

C. Loans on Liberty Bonds

Liberty Bonds were never intended to be currency. They are, on the one hand, pledges of the government of the United States to pay to the owners a sum of money at a designated date, and on the other hand, pledges of loyalty and good citizenship on the part of purchasers. People are urged to hold their Liberty Bonds till maturity, and should
not dispose them unless compelled to by necessity. "The man
who subscribes for a government bond, and is advertised as a
patriot for doing so, is not a patriot if he immediately sells
that bond on the market when he does not imperatively need the
money. It is not mere subscription to a bond that helps the
government; it is the actual purchase of the bond and the
keeping of the bond that really helps." People who sell their
bonds immediately after purchase are not helping the govern-
ment in any manner, but in addition, their action tends to
depress the market price of government bonds and makes it less
easy to float future loans. In a statement warning the
merchants of the country who were offering to take Liberty
Bonds in exchange for merchandise, the Secretary of Treasury
said: "We are making the strongest effort to have these
government bonds purchased for permanent investment by the
people at large, to be paid for out of the past or future
savings of those who buy them. Purchases thus made not only
result in providing funds for the use of the government, but
they also effect a conservation of labor and material. When
the bonds are exchanged for merchandise, it defeat the pri-
mary object of their sale, it discourages thrift and increases
expenditures, thus depriving the government of labor and
material needed for war purposes."

Banks unquestionably cooperated to a great extent in
encouraging people to hold their bonds. They encouraged the
thrift habit in the hope that it might be perpetuated and become widespread because their prosperity depends in a large measure upon the people thrift in building up their deposits and resources. There are many patriotic citizens who have tied up their savings in Liberty Bonds and who have for one reason or another needed cash. To accommodate these people and to prevent their disposing of government bonds, banks loaned money on Liberty Bonds at a moderate rate of interest. These loans were made not solely for the profit but to protect the original purchasers who are temporarily in need of financial assistance from money-lenders who might charge them high rates of discount. Besides, Liberty bonds are selling now far below their par value. If the owners sell them now, they must do so at a sacrifice; whereas if they can borrow money from banks on these bonds, there is no further reason for disposing of their holdings at the depreciated valuation, and such sacrifices are rendered unnecessary. It will be no surprise to us, then, to hear such statements as; "Rather than have people sell their bonds at prevailing market prices, the bank will loan up to 90\% of their face value." Considering the beneficial effects derived from such loans by individual borrowers as well as the good effect upon Treasury operations, the banks deserve some commendation.

Loans on Liberty bonds are much in demand. Accord-
ing to the United States Bureau of Efficiency, owners of
government bonds of small denominations have been liquidating
them at the rate of from $10,000,000 to $12,000,000 a day,
and this Bureau, in its report, proposed that in order to
protect the original purchasers and correct any impression
that a Liberty bond is an unprofitable investment, the govern­
ment through the postal savings system, make loans at post­
offices on bonds at a low rate of interest, with privileges
of redemption limited only by the maturity of the bond. In
view of this proposal, it becomes evident, therefore, that
the banks' activity in loaning money on Liberty bonds at a
moderate of interest is a thing of necessity and importance
and tends much to improve the present siduation.

II. Protection afforded Government Bondholders and
Investors Against "Get-Rich-Quick" Promotions.

A far more vital and pressing problem than the mere
physical safe-keeping of bonds is the question of protecting
the government bondholders from having their gilt-edge invest­
ments taken out their hands in exchange for worthless or
doubtful securities. The educational work of the Liberty
Loan campaigns has been effective and instrumental in creat­
ing a multitude of small bond buyers, and these people became,
ever since the first issue of government bonds, the shining
marks for the "Blue-Sky" promoters. Taking advantage of the ignorance of the people, especially the poor and inexperienced, the slick organizers and manipulators go about the country soliciting and selling stocks in corporations where there is no intention of ever making the business a success, and talk these people out of their government bonds and War Savings Stamps for something which, if not altogether worthless, has no market value. The people of the United States have been robbed by these predatory individuals of hundreds of millions of dollars. Farmers, wage-earners, and widows have been induced to part with their Liberty bonds in exchange for fake securities. The usual method employed by the agent is to compare the high returns from the stocks he offers for sale with the low rate of interest which the government bonds carry, and to call particular attention to the fact that having done their duty to their country by purchasing the Liberty bonds, they should then "provide for their families" by reinvesting their war bonds in the high interest paying stocks. The agent tells the Liberty bond holders that if kept idle in a safe-deposit vault, the bonds are non-creative and that to give the bonds the constructive power to which they are entitled and to make them to perform a double duty to the government, the owners should use their bonds to boast oil, aeroplane, motor and other products which are needed for war purposes. Whatever scheme the agent used
the result was always the same. The government bonds dis­
appeared and in their place the holder had something the
value of which they began to doubt soon after the exchange
was made.

Secretary McAdoo implored the public to hold its
government bonds and not to exchange them for any securities
or so-called securities. In an official statement, January
18
20, 1918, he said:

"It has been brought to my attention that a large
number patriotic citizens who subscribed to Liberty Loan
bonds of both the first and second issues are being approached
from time to time by agents who have, with too frequent success,
induced them to sell their Liberty Loan bonds and take in
exchange securities which in a number of cases have been of
very questionable value.

"I believe it is for the best interests of the people
at large, as well as for their actual protection, that they
disregard all such offers and hold fast to the best investment
in the world; that is, bonds of their own government."

The Federal Trade Commission, the National Vigilance
Committee of the Associated Advertising Clubs of the World,
and other business organizations have taken proper and
energetic steps toward protecting holders of Liberty bonds
and War Savings Stamps from fraudulent stock promotion schemes.
Their activities have been responsible for exposing some of the notable get-rich-quick promotions and the methods used. Many newspapers and magazines have assisted in this work by refusing to accept advertisements for any doubtful security issues, while others fearlessly prosecute the fake investment sharpers by carefully gathering their evidence of fraud and bringing this to the public's attention.

The Clearing House Section of the American Bankers Association in cooperation with the Capital Issues Committee launched a campaign in 1918 to minimize the fake securities evil. The Clearing Houses have encouraged the printing in local newspapers of articles and editorials warning the public. They formulated a plan of procedure to check the bogus stock and bond salesmen. First, scare the promoters of fake corporations who sell worthless securities, and second, educate and warn the public against exchanging government bonds or investing their savings in securities of unknown or doubtful value. An appeal was made to bankers to carry out this plan by:

First. Declining to act as directors or to lend their names to doubtful enterprises—encourage all other reputable business men to take a like stand.

Second. Accepting service on the Vigilance Committee to keep a lookout for the formation of enterprises designed primarily to sell worthless stocks and to discourage and to
hamper the development of such enterprises.

Third. Refraining from purchasing or lending against stocks and bonds issued since April 5, 1918, that do not have the approval of the Capital Issues Committee.

Fourth. Having printed and distributed to customers a warning against the purchase of securities of doubtful and unknown value making a special appeal urging purchasers of Liberty bonds not to trade them for questionable securities in the hope of getting big returns thereon.

Fifth. Giving this subject publicity in all bank publications.

Sixth. Discussing it at all meetings and conversations of bankers and business people.

The American Bankers Association at its Chicago convention in 1918 expressed its support and approval of the work of stamping out the sale of fraudulent securities as conducted by the Capital Issues Committee and adopted the following resolution to that effect.

"Resolved, that the American Bankers Association pledges its support and cooperation to this vital effort to destroy this improper commerce in Liberty bonds and the sale of fraudulent securities, and call upon its individual members to aid and cooperate with the Capital Issues Committee in every way to accomplish these ends."

Similar resolutions were made by the State Bankers
Associations. The resolution passed by the Minnesota Bankers Association reads:

"Resolved, That the Minnesota Bankers Association earnestly disapproves all questionable financial promotions, and recommends, regardless of the profit involved that members refuse to purchase notes or other obligations arising out of transactions through canvassers or agents, whenever the subject matter is one which the member would not recommend to the maker in the first instance."

The banks of Iowa have shown an energetic and determined effort to curb the blue sky evil, and the Iowa Bankers Association adopted the following resolution at its last con-

"We most strongly condemn the methods engaged in by many in starting new corporations or establishing business largely for the promotion of salaries, exorbitant commissions, and in most cases involving the commission of fraud. We condemn the practice of any banker in Iowa in receiving any compensation or inducement for his influence in promoting such concerns.

"And the members of this Association put themselves on record as promising not to carry, buy, purchase stock, or approve a business that is established for the purposes herein first mentioned. We announce it as our declared purpose to refuse to finance any enterprise of the designated nature."
Posters and folders containing the resolution together with statements urging people to hold their savings and not to trade their Liberty bonds for securities without consulting their bankers were put out by the Association and distributed to banks throughout the state of Iowa for display and advertisement. In numerous cases the banks have devoted their advertising space in the local newspapers to an appeal to the public, endorsing the resolution adopted by the Association and warning them not to purchase any securities without letting the banks help them to make the proper investigations.

Oftentimes the banks, united with the local chambers of commerce and various organizations of different kinds, conducted educational campaigns by freely using the local newspapers to advertise the danger to the public in investments in enticing oil, mining, and other unseasoned and little known propositions. The banks of Warren, Pennsylvania, are worthy of mention in this particular, and the Secretary of Treasury Carter Glass gave their organization and propaganda unequivocal approval and recommended the adoption by all communities.

Conclusion

It is generally conceded that the present blue-sky laws are not sufficiently well-drawn to prevent illegitimate
traffic in stock selling. They are so full of holes that it is an easy matter for any unscrupulous dealer to profess good faith while selling fake securities. In most states no appropriation is made for the enforcement of the law and the licenses issued by the Secretary of State are often misrepresented by the promoters. The Federal Trade Commission is the only other government agency at the present time having jurisdiction to check this danger. It is a slow-working body and has no punitive powers where illegal transactions or dishonest methods are discovered. The great need in fighting the evil is education. The public must be informed and educated on investment matters. Banks can give effective and powerful assistance in fighting the promotion evil by refusing to accept commissions and to discount notes growing out of any questionable transactions, by discouraging the practice of trading Liberty bonds for new securities, by a systematic advertising campaign calling attention to the dangers and evils of doubtful promotions, and by constantly reminding the public, through personal advice or by means of literature, not to be lured by the smooth salesman into any speculative games. The banks are brought into closer contact with the public and the stock swindlers than any other type of organization. They are looked upon on the one hand by the promoters for influence and encouragement and on the other hand by the public for guidance and counsel. The success of
the fight against the blue-sky evil virtually hinges upon the banks' attitude toward the problem. It has been estimated that hundreds of millions of dollars' worth of Liberty bonds had been exchanged for stocks which have no value now and never will acquire any. Men who have been taught to practice patriotic self-denial so that they might lend to the government and are then abandoned to the evils of swindlers are discouraged from further effort, and the full fruit of the lesson in thrift which the war has taught America will never be harvested. Equally serious is the loss of confidence in our institutions and the reaction against our government felt by these millions of innocent victims. The future welfare of the country demands that something vigorous be done to check this evil. Every banker and business man of the country should exert his utmost influence to protect the savings and Liberty bonds of the masses of the American people, and no prospect of high profits or commissions from those false promoters should keep him from safe-guarding the best interests of the public.
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Miscellaneous Services

1. Contributions to Red Cross and Other Welfare Movements

The successful $300,000,000 Red Cross drive in the summer of 1917 and the equally great achievement in the United War Work campaign a year later give us unquestionable evidence of the most generous support afforded to those charitable organizations by the American public. The work performed by the Red Cross in furnishing comfort and alleviating suffering among our soldiers and those of our Allies deserved all assistance we could give, and those millions of men and women who have contributed more or less to that noble, humane cause should be proud of the part they played.

Here, again, the banks of the country did not lag behind; they were among the first to extend their helping hands. They furnished men to conduct meetings on behalf of the various benevolent societies. They circulated posters, pamphlets, and literature of all kinds to assist in rousing the public's interest and enthusiasm. Newspaper space was purchased to advertise the Red Cross and the camp funds; and personal letters were sent to bank depositors and customers explaining the kinds of work performed and the results achieved by these organizations and suggesting that they subscribe for these worthy purposes. Many bankers have given up their business in order to devote their entire
time and energy to the Red Cross work. One conspicuous example is that of Major Grayson M.P. Murphy of the Guaranty Trust Company of New York who organized the American Red Cross Commission in Europe and acted as the director there before he enlisted in the United States Army. Others such as Mr. Vanderlip, Mr. H.P. Davison, and so forth were prominent in Red Cross work.

In contributing money to Red Cross and other philanthropic works, banks found themselves in a rather difficult position. The directors and officers needed the consent of the shareholders before they could undertake to appropriate any part of the bank's money for purposes other than ordinary banking business. The law requires bank officers to take such procedure, and no appropriation of funds except the expenses of operation, losses, dividends and investments which may be made in the ordinary conduct of banking business can be made unless the consent of the shareholders is secured. So, when the Red Cross drive was on, banks throughout the country were unable to contribute to that humane cause, though many of them expressed their eagerness and desire to do so. Inasmuch as the consent and approval of the stockholders could not be secured collectively except by calling a meeting for that purpose, the banks had to meet a rather difficult, if not impossible, problem.
As the proverb says, "Where there is a will, there is a way", so the banks sought a way to overcome this technical requirement. With the suggestion of the Comptroller of the Currency, national banks first resorted to a unique, though unsuccessful, scheme in order to facilitate contributions to the American Red Cross by owners of national banks. The plan was to declare a special or extra dividend out of the undivided profits of the banks. Circular letters were sent to shareholders with checks for such special dividends explaining that these were declared expressly for the purpose of enabling the shareholders to subscribe to the Red Cross fund and suggesting that these checks be indorsed and returned to the bank with instructions that they be sent to the Red Cross Committee, or that the shareholders send them directly to the American Red Cross as independent contributions. Many banks did declare special dividends after this manner, and some of the shareholders to whom the dividend checks and requests were sent took advantage of that offer to subscribe. But a very large number of the recipients of these extra dividends failed to comply with the suggestion of the banks, and they kept the money thus given them for themselves.
The ineffectiveness of the scheme prompted the banks to further action, and the Comptroller of the Currency was equally awake to the necessity of having some legislation which would "make corporation patriotism easier, and stimulate a benevolence which tends so strongly to hasten victory and peace". Consequently, in his annual report to Congress the Comptroller made the following recommendation:

"I respectfully recommend the passage of an act to authorize all national banks to subscribe to the Red Cross, for war relief purposes, such amounts as directors may conclude they can give wisely, justly and prudently; that this be limited to the duration of the war, and that the funds so contributed shall be used by the Red Cross only for war purposes, to help our soldiers and sailors at home and abroad, and for the relief, succoring and strengthening of our Allies".

An act under date of May 23, 1918 was passed by Congress to that effect. The act follows:

"Be it enacted by the Senate and the House of Representatives of the United States of America in Congress assembled, that during the continuance of the state of war now existing it shall be lawful for any national banking association to contribute to the American Red Cross, out of any net profits otherwise available under the law for the declaration of dividends, such sum or sums as the directors of said association shall deem expedient".
This authority was readily utilized by a large number of national banks of the country, and the reports show that during the interval of five and one half months from the passage of the law to Nov. 1, 1918, a total of $2,948,164 was contributed to Red Cross work by some 3,088 banks. This sum was distributed thus,

$1,001,110---by 46 national banks in the three central reserve cities,
$837,703---by 210 national banks in other reserve cities,
$1,073,351---by 2,830 country banks.

It was also stated that 165 national banks in reserve and central reserve cities and 4,503 country banks reported no subscription.

An unusual case which well illustrates the banks' liberal cooperation in Red Cross and other charitable works is to be found in the action taken by the board of directors of the Sumner Exchange Bank, Sumner, Mo., in passing a resolution donating its entire net earnings to the Red Cross until the end of the war. So generous and unusual is this resolution that I feel justified in quoting it here.

"And whereas the Red Cross Society of America is caring for the sick and wounded of our armies, and in performing this noble and humane work it needs all the financial assistance
it is possible to obtain, and which makes it the imperative and patriotic duty of citizens, banks and financial institutions to see that it is provided with necessary funds.

"It is therefore resolved by the Board of Directors that, said bank, beginning on the first day of Jan. 1918, will pay 3% per annum on the average monthly balance of checking deposits carried in said bank, which sum thus derived, on the first day of each month, be placed in said bank to the credit of said Red Cross society, until the end of said bank's fiscal year, and at the beginning of each fiscal year thereafter to the end of the war, said bank will announce what percent it will pay on said checking deposits for that year, and will continue each year to make said payments until the end of the war".

"Resolved further that, in addition to cooperating with the government in all of its war measures, it is the sense of the Board of Directors that during the continuance of the war said bank will declare and pay no dividend to its stockholders, but that all net earnings of said bank, except such sum as may be necessary for local charities shall be paid to the Red Cross Society or otherwise used to aid in carrying the war to a victorious conclusion".
Instances of this kind are indeed very rare. Many banks contributed little or nothing. They could well afford to do so, as the banks paid on their capital stock in dividends an average of about 11½% and earned much more. But the fact remains that there were banks which did contribute to Red Cross and other charities, and they did it freely and generously.
2. Service to Taxpayers.

Another valuable service performed by the banks, particularly the big city banks, was the assistance they rendered the taxpayers in enabling them to acquire for themselves knowledge of the regulations and operations of the Federal Income Tax and War Excess Profits Tax laws. In numerous instances they actually made out the tax returns for individuals and corporations where such assistance was needed. When Congress passed the War Revenue Tax law on October 3, 1917, it became at once apparent that a vigorous campaign of education would be necessary to acquaint the public with the new situation, what it involved, and their rights, duties and liabilities in the premises. The variations of business requirements under the War Tax laws were limitless, and it required expert advice and sound direction to handle individual cases for income tax purposes.

The banks, partly animated by a high sense of duty to the government and the public and partly prompted by a desire to benefit their own customers and friends, have taken upon themselves the burden of educating and assisting the public in matters of income and excess profits taxes. To accomplish this task, they directed their energy into three main lines of endeavor. A brief discussion of each will be made in the order of their relative importance.
1. Free distribution of war tax literature.--This was perhaps the most effective method of making known to the public the operation and essential provisions of the law. But it was a rather expensive service. Not all banks could afford the expense, and not all had the ability and opportunity to assemble adequate machinery for such service. The free distribution of large amounts of war tax literatures was possible only for the big city banks. Such powerful institutions as the National City Bank, the Irving National Bank, the Guaranty Trust Company of New York, and the National Bank of Commerce, usually have a corps of tax experts in their employ, and they have their own presses to do the printing. They have therefore the necessary equipment and possess the financial ability to render this type of service. On the day following the passage of the act of October 3, 1917, the National City Bank had that statute printed and distributed with annotation and index. Immediately following this the company put out a digest of Income Tax and War Excess Profits Tax Laws analyzing the statutes and giving examples and illustrations of their application. To meet the enormous demand the company found it necessary to run these booklets into several editions.
In like manner, various pamphlets were issued and distributed free of charge by the Guaranty Trust Company, the National Bank of Commerce, and a number of other well-known financial institutions. It suffices here for our purpose to mention the few following publications:

- War Excess Profits Tax Law ---------------- Guaranty Trust Co.
- The War Tax Law -------------------------- Guaranty Trust Co.
- Practical Questions and Answers ------- Irving National Bank
- Excess War Profits Tax Manual ------- National Bank of Commerce

These publications are very convenient and valuable as references. In most cases they have been so neatly arranged with good index and summary that the reader can refer with ease to the text for details concerning the operation of the laws. Government officials, educational institutions, as well as individual taxpayers and corporations are using these publications with great advantage. Within six months from the time of the passage of the law, the National City Bank had printed and distributed more than 250,000 pamphlets on taxation, and the Guaranty Trust Company had during the months of February, March, and April of 1919, distributed more than 80,000 copies of its booklet on "The New Revenue Law of 1918" from the office of the company and those of its representatives in
various cities, besides the 130,000 copies sent to other banks for distribution to their own customers. From these figures alone, we can obtain some idea of the immensity of the service. The money cost of this enterprise can be ascertained, but its educational value is beyond calculation.

2. Personal advice and direction through correspondence or otherwise. Perplexing problems relating to the new revenue law constantly arise and compel the taxpayers to seek expert advice. The big banks have in ordinary times the so-called educational department or service department placed at the disposal of their customers with trained and experienced men in charge of tax problems. These are always ready to answer inquiries and to reply to individual questions. Statements such as "We shall be glad to give information regarding the War Excess Profits Tax Law and the Federal Income Tax Law, and render such assistance as may be desired in the compilation of these laws", and others to the same effect, are widely advertised by the banks. The National City Bank organized a permanent tax department in 1917 and charged it with the duty of educating the public in tax matters. In a few months, 30,000 requests for information were given the required attention, and 15,000 letters were written giving instructions, advice and direction in tax problems. The records of other big institutions, if available, would prove equally surprising.
Not content with the service thus rendered, some banks carried their activities into even other fields. It may be mentioned in this connection that a man in charge of the tax work for the Guaranty Trust Company had prepared a series of six articles on various phases of the income and excess profits taxes for newspapers in New York, Chicago, Cleveland, Boston, Baltimore, Albany, Buffalo, and other cities, and this man also wrote for the New York Tribune a daily feature called "Tribune Tax Service" which ran for some time and in which he answered numerous perplexing questions. The smaller banks, less able, but no less willing, did everything within their power and cheerfully assisted taxpayers in every possible way.

3. The handling of individual returns—A common practice among the banks during the months when the tax returns have to be filed and payments made, is to employ certified public accountants for the exclusive benefit of the taxpayers. These accountants work out individual problems and assist the payers to make the proper returns. In places where a single bank cannot afford to do this alone a cooperative scheme has been inaugurated whereby an accountant has been secured by the several banks in one locality and the expenses apportioned among them. The tax experts in the big institutions
are worked to their full capacity during the rush periods, and one bank has a record of handling 200,900 individual cases in a short time.

These three lines of service enumerated above are of course primarily for the taxpayers' benefit. But at the same time they tend to lighten the burden imposed upon government officials and to promote effectiveness in the administration of the tax laws. In addition to these, the banks have assisted the government in other public-service ways. One was the distribution of the prescribed forms upon which tax returns were to be made under the new law at a time when the government presses were too busy to give quick service. The Guaranty Trust Company, as one of the many banks, had printed and distributed within a short time, according to the figures given out by the company, the following return forms with the corresponding number of copies:

- Form 1040-A (for individual incomes under $5,000) -- 70,500
- Form 1040 (for individual incomes over $5,000) --- 65,000
- Form 1099 (information report for use of individuals, corporations and partnerships who made payment of income of $1,000 or over to any person during the year) ---- 145,000
- Form 1096 (used in forwarding the information report, form 1099, to the bureau of Internal Revenue) ------- 26,000
Form 1040-T (the tentative form for individuals) --34,000
Form 1031-T (the tentative form for corporations)- 36,000
Form 1120 (for the reporting of corporation income and War Profits and War Excess Profits Taxes)------------- 35,000

The whole number of copies of forms printed and distributed by this company was therefore 411,500. The same bank also reprinted the Income Tax Primer, a series of 130 questions and answers on Income Taxes prepared by the Bureau of Internal Revenue to give information and assistance to taxpayers. Another service that the banks willingly performed was that of collecting the income taxes of their customers for the government. The law specified that the taxes must be collected at the source, and in doing this the banks, to say nothing of the time and energy devoted to it, incurred large expenditures without receiving any compensation.
3. Agriculture and Food Production.

"Not only during the present emergency but for sometime after peace shall have come both our own people and a large proportion of the people of Europe must rely upon the harvests in America. Upon the farmers of this country, therefore, in large measure, rests the fate of the war and the fate of the nations". This was President Wilson's appeal to American farmers for increased food production. In view of the world's low food reserve and the reduced food production in Canada and Western Europe, America was called upon not only to supply food for its army and civilian populace but also to feed the starving millions in Europe. The importance to the nation of an adequate food supply can not be overemphasized, and food production was one of the strongest national assets in time of war.

A few years ago the American Bankers Association established an Agricultural Commission whose purpose was to arouse the bankers' interest in a better and more profitable agriculture, and State Bankers Association in some forty-two states organized state Agricultural Committees, thus forming a nation-wide machine which has been materially assisting in encouraging a better farming and country life. These committees worked in the closest touch with the officials of the Department of Agriculture and the land grant colleges, and constantly urged bankers
to lend direction and financial backing to those sound agricultural and livestock projects advocated by the agricultural colleges. Their activities have been innumerable, and the following list includes only a few of the most important:

(a) Aid in placing county agents,
(b) Organizing boys and girls clubs,
(c) Banker-farmer excursions to agricultural colleges,
(d) Marketing farm products,
(e) Employment of expert agriculturists,
(f) Financing the purchase of livestock and farm equipment,
(g) Loaning funds to agricultural students,
(h) Distributing farm account books and credit sheets.

When the movement for the mobilization of the country's agricultural power was started, the various bankers' committees with their existing machinery and organization pushed their work with renewed energy. Through concerted action or as individuals, the bankers had materially assisted the farmers either financially or otherwise. For the financing of livestock purchases, there were the Ashland Dairy Plan, the Texas Bankers Association Plan, and many other methods through which the farmer was enabled to secure adequate financial backing. In many instances, banks shipped into their communities pure-bred stocks, and distributed these to farmers at cost. Bank
agriculturists were employed to look after the interests of their farm customers. In 1917, the Patriotic Farmers Fund was established by public-spirited business men and bankers in New York State, as a war measure to increase food production, to make small loans to farmers who were not in a position to obtain ready bank accommodations on their own credit. The Fund loaned money to 9,000 farmers to grow more crops and to buy livestock and farm tools during the two years of its existence, and the value of the borrowers' crops was thereby increased by about $5,000,000. In the War Garden work, banks also cooperated with the National Agricultural Association by offering prizes arranging with contests, and giving instruction to stimulate the movement.

It is also a great source of pride to the banks of this country that their services were not confined to these war activities at home; they were represented in the military service as well. Service flags, many of them sprinkled with stars of gold, are to be found displayed in practically every bank in the land. Thousands of men of these banks, actuated by a high sense of patriotic duty, have enlisted under their country's flag. The eagerness and enthusiasm to serve their country and the desire to be among the first to fight were manifest everywhere among the big army of bank officers and employes, from presidents down to office boys. No better words, to my mind, have been spoken than those of the Comptroller of the Currency John Skelton Williams in commenting on this point.

"From the desks and counters of these banks there have gone forth thousands of noble youths who have freely shed their blood in the cause of human freedom. On land and sea these men have proved their devotion to their country and to high ideals, and many of them have died the death of heroes for the land they loved."

The national banks of the country alone contributed up to November 1, 1918, 17,520 of their employes to the service of the
Army and Navy; 14,292 entering the Army and 3,228 the Navy, including the Marine Corps. Compared with the size of the army that was raised, this figure seems insignificant. Comparing, however, the proportion of national bank employees in the Army and Navy with the total number of their male employees, with the proportion of the number of men in the United States, 18 years of age or over, to the total number who had gone into the Army and Navy, a decidedly favorable impression of the sacrifices made by the national banks is obtained.

National banks of the country sent 17,520 of their employees into the service, or 22.8% of all male employees in our national banks, a proportion more than twice that of the average for all men in the country. For, of the 30,000 men, 18 years of age or over, our nation called on 6,023,774, or 11% into the service.

The twenty-five reserve cities, according to the figures of the Comptroller, whose national banks furnished to the Army and Navy the highest percentage of their total employees were:

<table>
<thead>
<tr>
<th>City</th>
<th>Percentage of men entering service to total no. male employees, Nov. 1, '18</th>
<th>No. of men entering service up to Nov. 1, 1918</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wichita</td>
<td>79.41</td>
<td>54</td>
</tr>
<tr>
<td>Minneapolis</td>
<td>78.76</td>
<td>304</td>
</tr>
<tr>
<td>Des Moines</td>
<td>64.20</td>
<td>52</td>
</tr>
<tr>
<td>Sioux City</td>
<td>63.53</td>
<td>54</td>
</tr>
<tr>
<td>Oklahoma City</td>
<td>61.40</td>
<td>70</td>
</tr>
<tr>
<td>City</td>
<td>Percentage</td>
<td>Total</td>
</tr>
<tr>
<td>----------------------</td>
<td>------------</td>
<td>-------</td>
</tr>
<tr>
<td>Spokane</td>
<td>57.89</td>
<td>66</td>
</tr>
<tr>
<td>Nashville</td>
<td>57.60</td>
<td>72</td>
</tr>
<tr>
<td>Omaha</td>
<td>55.53</td>
<td>143</td>
</tr>
<tr>
<td>Tulsa</td>
<td>53.89</td>
<td>97</td>
</tr>
<tr>
<td>Dallas</td>
<td>50.00</td>
<td>163</td>
</tr>
<tr>
<td>San Antonio</td>
<td>49.70</td>
<td>84</td>
</tr>
<tr>
<td>Jacksonville</td>
<td>48.39</td>
<td>75</td>
</tr>
<tr>
<td>Seattle</td>
<td>48.20</td>
<td>107</td>
</tr>
<tr>
<td>St. Paul</td>
<td>47.40</td>
<td>137</td>
</tr>
<tr>
<td>Portland</td>
<td>43.98</td>
<td>98</td>
</tr>
<tr>
<td>Columbus</td>
<td>41.38</td>
<td>60</td>
</tr>
<tr>
<td>Kansas City (Mo.)</td>
<td>41.09</td>
<td>203</td>
</tr>
<tr>
<td>Houston</td>
<td>40.55</td>
<td>88</td>
</tr>
<tr>
<td>Atlanta</td>
<td>40.00</td>
<td>114</td>
</tr>
<tr>
<td>Boston</td>
<td>38.37</td>
<td>258</td>
</tr>
<tr>
<td>Detroit</td>
<td>38.20</td>
<td>102</td>
</tr>
<tr>
<td>Richmond</td>
<td>36.96</td>
<td>95</td>
</tr>
<tr>
<td>Washington</td>
<td>35.18</td>
<td>128</td>
</tr>
<tr>
<td>Chicago</td>
<td>34.94</td>
<td>667</td>
</tr>
<tr>
<td>St. Louis</td>
<td>34.64</td>
<td>247</td>
</tr>
</tbody>
</table>

The twenty-five states whose country national banks sent the highest percentage of their employes to the naval and military forces of the United States were:

<table>
<thead>
<tr>
<th>State</th>
<th>Percentage</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Mexico</td>
<td>43.83</td>
<td>103</td>
</tr>
<tr>
<td>Wisconsin</td>
<td>38.47</td>
<td>272</td>
</tr>
<tr>
<td>North Dakota</td>
<td>37.35</td>
<td>245</td>
</tr>
<tr>
<td>Idaho</td>
<td>36.36</td>
<td>100</td>
</tr>
<tr>
<td>Minnesota</td>
<td>34.87</td>
<td>408</td>
</tr>
<tr>
<td>Alabama</td>
<td>34.73</td>
<td>166</td>
</tr>
<tr>
<td>Virginia</td>
<td>34.68</td>
<td>274</td>
</tr>
<tr>
<td>California</td>
<td>34.39</td>
<td>476</td>
</tr>
<tr>
<td>North Carolina</td>
<td>34.15</td>
<td>130</td>
</tr>
<tr>
<td>Louisiana</td>
<td>33.89</td>
<td>102</td>
</tr>
<tr>
<td>Montana</td>
<td>33.61</td>
<td>201</td>
</tr>
<tr>
<td>Nebraska</td>
<td>33.58</td>
<td>227</td>
</tr>
<tr>
<td>South Carolina</td>
<td>33.09</td>
<td>141</td>
</tr>
<tr>
<td>West Virginia</td>
<td>33.02</td>
<td>176</td>
</tr>
<tr>
<td>Kansas</td>
<td>31.72</td>
<td>275</td>
</tr>
<tr>
<td>Iowa</td>
<td>31.78</td>
<td>414</td>
</tr>
<tr>
<td>Michigan</td>
<td>31.36</td>
<td>191</td>
</tr>
<tr>
<td>Texas</td>
<td>30.22</td>
<td>741</td>
</tr>
<tr>
<td>Oregon</td>
<td>30.07</td>
<td>152</td>
</tr>
</tbody>
</table>
Arkansas    29.04    106
Mississippi  28.86    110
Georgia     28.25    139
Colorado    27.70    146
Illinois    26.21    508
Massachusetts  25.86    249

The twelve reserve cities whose national banks sent
the highest number of men into the Army and Navy were:

New York   1,730
Boston     667
Philadelphia  358
Minneapolis    325
San Francisco  304
St. Louis    269
Pittsburgh    247
Kansas City  232
Dallas      205
Los Angeles  163
Omaha       157
Chicago     143

These figures are far from being complete, and it is believed that
many of the national banks have not reported the number of men
from their banks who should be included here.

Unfortunately no records are available at present to show
the number of men enlisted in military and naval services of
United States from banks other than national banks. The
number must be large, and the percentage of men entering the
service to the total number of bank officers and employes
would at least equal if not exceed that of national banks.

Efforts have been made by the American Bankers Association
to make a complete "Honor Roll" record of bankers who served
in the fighting forces, and similar attempts are being made
by the various State Bankers Associations to ascertain the
contributions made by banks in their own states.

It is generally thought that the heavy enlistments of
bankers came from office clerks and employes, while the number
of bank officers on the "Honor Roll" is very small. To
dispel this popular misconception, we cite as an example
the statistics of enlistments of Iowa bankers.

<table>
<thead>
<tr>
<th></th>
<th>Army</th>
<th>Aviation</th>
<th>Navy</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Presidents</td>
<td>4</td>
<td></td>
<td></td>
<td>4</td>
</tr>
<tr>
<td>Vice-Presidents</td>
<td>92</td>
<td></td>
<td>1</td>
<td>10</td>
</tr>
<tr>
<td>Cashiers</td>
<td>64</td>
<td>4</td>
<td>5</td>
<td>73</td>
</tr>
<tr>
<td>Directors'</td>
<td>3</td>
<td></td>
<td></td>
<td>3</td>
</tr>
<tr>
<td>Assistant cashiers</td>
<td>239</td>
<td>14</td>
<td>29</td>
<td>282</td>
</tr>
<tr>
<td>Bookkeepers and</td>
<td>300</td>
<td>15</td>
<td>55</td>
<td>370</td>
</tr>
<tr>
<td>Clerks</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other employees</td>
<td>5</td>
<td></td>
<td></td>
<td>5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>624</td>
<td>33</td>
<td>90</td>
<td>747</td>
</tr>
</tbody>
</table>
It appears from the table that the largest single number is that of bookkeepers and clerks with a total of 370, next comes the assistant cashiers with 282, next the cashiers, and so on. But out of the grand total of 747 enlistments, 372 are officers as against 375 who are employees.
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