

larger standing army and navy to carry out that policy than if the islands are retained under the absolute sovereignty of our country. In this case Washington will be the capital and center of all negotiations. With Mr. Bryan's scheme, there will be a capital at Manila as well as at Washington, a president in the Philippines as well as in the United States, one set of ministers there as well as here. As a result all foreign nations will be face to face with an unparalleled situation which will be fraught with greater danger to the United States than the establishment of permanent sovereignty in the islands. If Mr. Bryan would exercise the same kind of a protectorate that Great Britain, Germany and France do over some of their dependencies, there might be no danger—but in each of these countries there is no such thing as real independence. A resident minister of the protecting government practically controls the affairs and policies of the protected country.

Filipinos Need Supervision.

Another serious problem will confront the successful consummation of Mr. Bryan's plans. He will have been compelled to meet the condemnation of the moral sentiment of the country for allowing those men again to come into power in the Philippine Islands who have encouraged the Filipinos in that class of warfare which is distinctly brutal and has cost the lives of so many American soldiers. He will be obliged to recognize those unscrupulous Filipino leaders who sent lying circulars all over the islands appealing to the masses of the people to rally to the standard of Aguinaldo and to drive the Americans out of the country, declaring that we were infinitely worse in character and nature than their former rulers, the Spaniards, and who systematically endeavored to poison the minds of the ignorant natives in their opinions of American men and women and the American government.

I am one of the many who have a very high idea of the Filipinos' capabilities when well guided, and who frankly give them credit for all that they did in time of peace before they lost their heads and in a fanatical and extreme jingo spirit determined to fight the Americans, listening to no reasonable plans for a settlement of the difficulties and consequent establishment of as large a degree of autonomy as possible under American sovereignty. It is not possible, however, to close our eyes to the tremendous problems and complications which will face Mr. Bryan if he is elected, and which will bring about even greater chaos than there has been at any time in the past.

When we who were out in the Philippines for a long time and saw the development of events there urge the reflection of President McKinley, we do

it in all honesty and in the sincere belief that such a result will bring the greatest benefit to the Filipinos as well as to Americans.—John Barrett, former minister to Siam, in Chicago Record.

BANK DEFALCATIONS.

Defalcations of bank officers and clerks are not so uncommon as to excite great surprise, but when they rise to the magnitude of \$700,000, they rather take away one's breath. Yet it is perhaps easier to mystify the accounts and make away with that sum in a bank which constantly handles fifty million dollars than \$70,000 in one which has only five millions to look after. Still more difficult would it be to spirit away \$7,000 from a small bank in a small town where the eyes of the superior officers can see everything that goes on, and where even the neighbors can discern any signs betokening that a bank clerk is living beyond his salary. Every bank defalcation, large or small, ought to teach a lesson, ought to make the next one more difficult of accomplishment, ought to contribute something to the protection of the banking business and of society. The American Bankers' Association has for years maintained a bureau for the detection and prevention of forgery and sneak thieving. By careful study of the methods, mental processes, and haunts of the rascals that "work" the banks from the outside, the bureau has largely reduced the amount of successful frauds and has landed in the penitentiary most of the fraternity who perpetrate them. The Alvord case and the Schreiber case show that there is work for a bureau which shall apply itself to frauds hatched inside of the banks also. It is easy to say that this is a duty which each bank must perform for itself. But suppose it is not done. Is it not cheaper to have the necessary work done, or at least mapped out, systematically by the association, than not done at all?

Government Examiners.

Some people think that this is the duty of the National Bank examiners. Accordingly, whenever a defalcation occurs, especially if it has been of long continuance, there is a general disposition to censure the examiners and to put blame on them for not detecting the shortage at its beginning. But the truth is, that system of public examinations was never intended to deal with frauds concealed by false bookkeeping. To go beyond the bookkeeping requires personal inspection of all the assets, and not only that, but investigation of the solvency of the bank's debtors. A few years ago a bank failure occurred at Albany, where the books showed the proper surplus, and where the bills receivable corroborated the books; but the bills were themselves fictitious. The makers of them were men of straw. Obviously, a bank examiner who should pursue his investigations beyond the

showing of the books might use all his time on one or two banks. It may happen that some very large investments easily tested will attract his eye, and lead him to a special investigation which may have important consequences, but as a rule he has to assume that the books are correctly kept, and that the assets are what the books show them to be. Such an assumption may be erroneous, but generally it is the condition upon which alone he can get through his work at all.

The public have not yet learned in what manner Mr. Alvord accomplished his gigantic fraud. Ordinarily the note teller's desk would be the last place where such fraud would be looked for. It would be idle to speculate on the details before they are actually disclosed. The only thing that can be said at present is that Alvord had been in the bank's employ so long that he was implicitly trusted. Nobody suspected him. It is often said by high bank officials, "You must trust somebody; if you lose occasionally, it is one of the necessary evils of the business." This excuse will not pass muster in a case where \$700,000 goes wrong. The Alvord case proves that nobody should be implicitly trusted in the sense that his accounts should not be subjected to occasional scrutiny with the object of finding out whether they are right.

Checks Necessary.

No bank officer or clerk, however high, has any occasion to feel mortified if his department is made the subject of special investigation at unexpected times, any more than the bank itself has for feeling hurt by the government examinations. The feeling of implicit confidence in old and tried officials may be a credit to human nature, but it is not the kind of credit that will make good a deficiency of \$700,000. Probably the Alvord case will lead to a minute examination of all the note tellers' accounts in all the banks, but that is not sufficient. The Alvord case will in time be forgotten, and the business will fall back into the old routine, with general confidence in command of the situation, unless some system of checks is devised which shall be self-perpetuating. It is the proper function of the clearing-house association to devise such system and to see to its enforcement. There are some outside pointers that might be helpful. Usually the defaulting bank official betrays by his style of living the fact that he spends more money than his salary can account for. It is said that Alvord kept horses and carriages and a naphtha launch, and was living at the rate of \$20,000 a year, his salary being \$3,500. If this be a fact, it ought to have been known to the higher bank officers and to have put them on inquiry.

We can all be wise after the event. Anybody can lock the door after the horse is stolen. What is needed is rightful use of the wisdom so learned, and such application of it that bank defalcations may be rarer and rarer as time goes on.—New York Post.