

How He Has Reorganized His Office and Raised the Standard of Examiners--What He Has to Say of Banking Conditions and the Essentials of Efficient Supervision.

LAWRENCE O. MURRAY, Controller of the Currency, is a Controller who controls. Fitted for the position he has occupied since April 23, 1908, by a long term in subordinate places in the bureau of the Treasury Department, of which he is now the head, he made it his business when called to this post to put upon a scientific, efficient, and honest basis the work of supervising the vast banking system of the United States, and how well he has accomplished this may be judged from the statement that he has completely reorganized it.

Good banks, indifferent banks, and bad banks, all have had reason to know that in Mr. Murray they have either a firm friend, a helpful supervisor, or a relentless foe. His work at the head of this important branch of the Government has not made him a pessimist. On the contrary he says with emphasis that banking conditions in the United States are improving more and more each year. If this is true, and there is no doubt that it is, a considerable part of the credit should be given to the Controller, for he has been tireless in his efforts to improve the service, and is just now rounding out a programme of reform destined to make banking supervision as perfect as it is possible for any human institution to be.

Controller Murray is an emphatic looking, stocky, and decidedly prepossessing bachelor, versatile enough to have been a member of the Roosevelt tennis cabinet and a devotee of golf in more recent times, good humored, but relentless in the pursuit of his fad, which is the regulation of wayward banks. A native of New York State, he studied law in New York City, and entered the public service in 1903 as private secretary to one of the Assistant Secretaries of the Treasury.

He then became chief of the Organization Division in the office of the Controller of the Currency, and was then Deputy Controller for a year. Thus he has arisen to his present position by successive steps, and has learned the business from the ground floor upward. His service in the Treasury, however, has not been an unmarked one. George B. Cortelyou, the man who "made" Postmaster General Frank H. Hitchcock by recognizing his ability, had had his eye on young Murray, and under the Cortelyou Secretaryship of the Department of Commerce

and Labor Mr. Murray went there as Assistant Secretary, remaining four years. His next promotion was to the post of Controller of the Currency, and in that job he has made good to a greater extent than in any other he has yet held. Although Mr. Murray has by now very thoroughly reorganized his office, his programme has never been a violent one. All the improvements he has inaugurated have come gradually, without such shake-ups as usually accompany the schemes of reformers. Mr. Murray is not a reformer in the belligerent sense. He has been cautious, even slow, trying and testing every device before making it operative. His improvements, the "tightening up" of the service, the elimination of weaknesses here and there—all these have been accomplished a step at a time, so gradually, in fact, that it is possible only now to see what changes for the betterment of the banking and currency service have been wrought.

In all the reorganization but few employees, bank examiners, &c., have been dropped from the service. Those who cannot "measure up" cannot remain long with the specialized Murray. Those who are good raw material are assisted and made efficient.

Although the reorganization has been a constant, and not a radical or sweeping one, it has, nevertheless, been a thorough one. It is not yet entirely completed. Less than a month ago Mr. Murray issued one of his reorganization orders, requiring bank examiners to certify, over their own signatures, as to the solvency or insolvency of banks. To increase the standard of the bank examiners has been one of the chief efforts of the Controller.

In order that there might be no possible criticism against an examiner as to his efficiency because he was interested in a bank in any way, the Controller ordered that no bank examiner should own any stock in any National bank; that he should not borrow money from any National bank; that he should not be a Director or officer in any corporation which did borrow money from a National bank, and that state of affairs exists today. This order frees the examiners from any charge that they were in any way favorable to or lenient with any bank because of favors extended to them. Heretofore each examiner worked along individual lines without consulting any

other examiner as to the best methods to be used in the work of examining banks. The result was, of course, that the good examiners were always good, but the ones that were less efficient did not improve materially, because they did not have a higher standard to work up to, and there was no chance of comparison of ideas or comparison of work. The distances in the country are so great that the examiners could ill afford the time and money to travel across the country to attend an annual convention, so the country was divided into eleven districts, and one of the efficient examiners placed in charge as Chairman, and the other examiners in the immediate territory assigned to that district. The headquarters of the districts are as follows:

- No. 1. Boston, Mass.
- No. 2. New York, N. Y.
- No. 3. Philadelphia, Penn.
- No. 4. Pittsburgh, Penn.
- No. 5. Atlanta, Ga.
- No. 6. Louisville, Ky.
- No. 7. Chicago, Ill.
- No. 8. St. Louis, Mo.
- No. 9. Denver, Col.
- No. 10. Seattle, Wash.
- No. 11. Oakland, Cal.

These meetings have been held in July of the last two years, and were attended by all the examiners. At the meeting held in July last all the State examiners were invited, and all the Clearing House examiners, as well as State Supervisors of banks. At these meetings the examiners were assigned in advance certain subjects upon which to prepare a paper on some phase of bank examination, and these papers were read at the meetings. These meetings, attended jointly by National, State, and Clearing House examiners, each and all giving their views on the many questions involved in the work of bank examination, have been helpful in lifting the force up to a higher and more efficient plane.

The plan of convening the Board of Directors to meet the examiner brings home to the board at first hand all the points of criticism which the examiner may find, so that the Board of Directors may never plead ignorance of existing conditions in the bank in so far as those bad conditions have been discovered by the National bank examiners. When conditions subject to criticism are

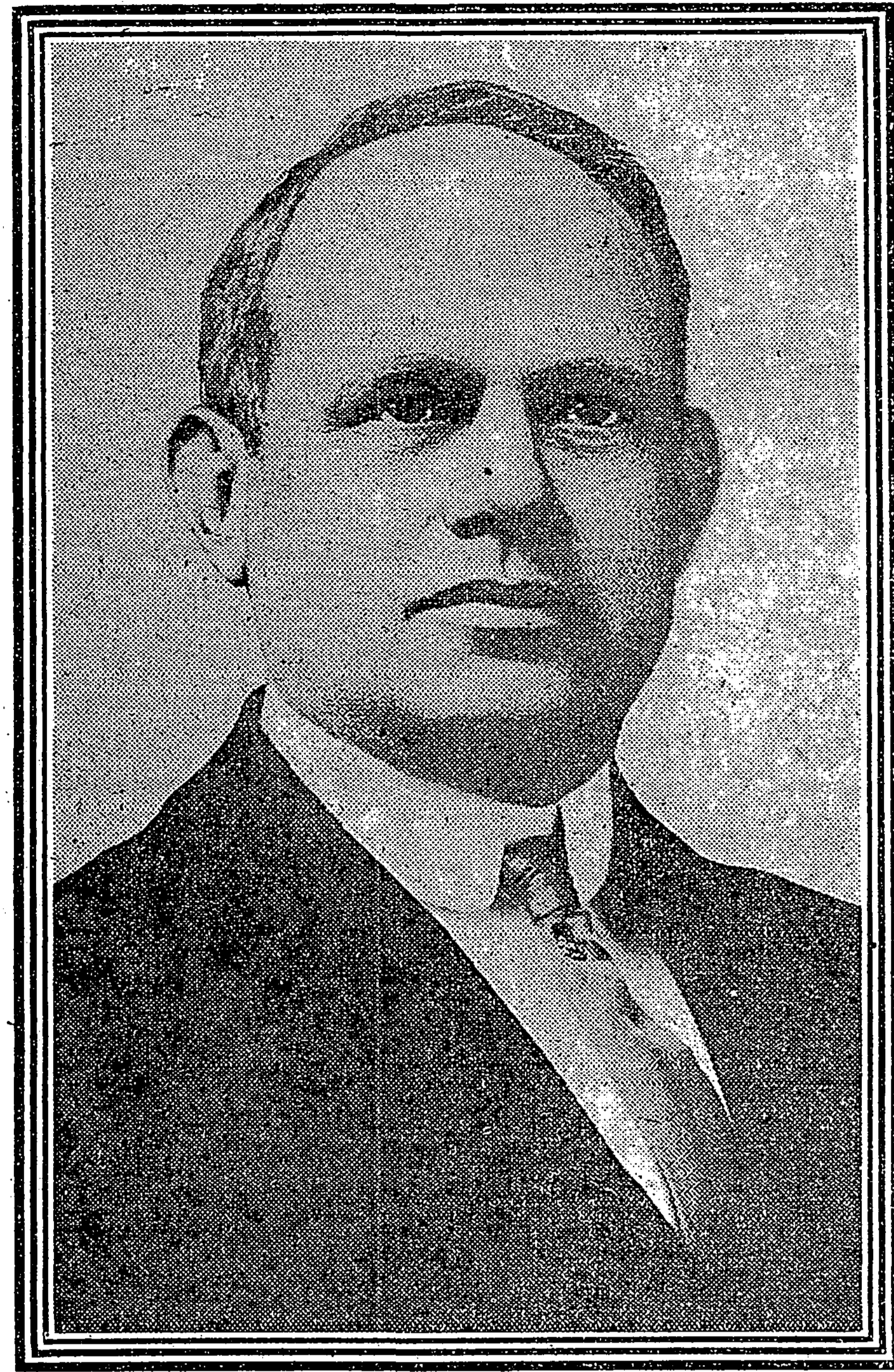
brought to the attention of the Board of Directors, the examiner gets a letter signed by the board addressed to the Controller to the effect that all matters subject to criticism were brought to their attention by the examiner and agreeing to correct those conditions, if that can be done, and if they cannot be remedied then, that they will be remedied as soon as possible. This has resulted in the elimination of about 85 per cent. of all letters of criticism from the Controller's office to the banks.

The Controller now requires each examiner when he submits a report of examination of a bank to attach a certificate over his signature to the effect that the bank is in his judgment absolutely solvent; that the by-laws are satisfactory and are being followed; that the management is safe; that the books show its real condition, and are so kept that the examiner can make a thorough and complete examination of the bank. In case he cannot make this certificate unqualifiedly that the officers and Board of Directors are to be advised that the bank will not be passed unless the conditions which make it impossible to make such certificate are remedied.

The management of a National bank devolves by law upon its Board of Directors. The Controller is requiring his examiners to see to it that the banks all over the country that have not adopted any by-laws should adopt reasonable by-laws promptly, and the 33 per cent. of National banks that had not adopted by-laws have been asked by the examiners to adopt them, providing for at least monthly board-meetings of the full Board of Directors; the appointment of examining and discount committees; the approval by the Board of Directors at the monthly meetings, or oftener, of all loans and discounts and the recording of such approval in permanent form.

It is believed that with an efficient man in the field, and with these requirements as to the management of banks by the officers and Board of Directors; with the requirements that all reports coming in must have attached a certificate that the bank is solvent and well managed, a tendency to improve conditions all over the country will result.

The Controller is urging his examiners all over the country when they find banks that are weak or lacking in public



Lawrence O. Murray.

confidence, or where the future would seem to hold no possible hope of success for the bank, that the Board of Directors consider the question of going into voluntary liquidation and paying off the depositors and returning to the stockholders their investment. It is generally from the weak banks that failures ultimately come, and the Controller feels that it is very much better to avoid failures by having the banks go into voluntary liquidation. The examiners in all, such

cases are asked to fully discuss with the Board of Directors every phase of such situation, leaving it, of course, for the stockholders to finally determine what action shall be taken.

The Controller is strongly in favor of Clearing House Associations in the large cities having their own bank examiners, and that they should examine all the banks of the Clearing House Association and report directly to the Clearing House Committee. He has in a strong letter to

the Clearing House Associations of the several reserve cities urged that this be done. In addition to the fifteen cities that had Clearing House examiners, within the last month Louisville, Cincinnati, and Portland have provided for such examiners, and several other reserve cities have the plan under favorable consideration.

"What kind of bank examiners do you think we ought to have, and what is your opinion of bank supervision?" Controller Murray was asked.

"I believe in getting the very best men to be bank examiners that can be had in the United States irrespective of what State they come from and irrespective of what their politics may be," he replied.

"If the Government is to supervise National banks it should do it through the instrumentality of the very best men that can be had. On any other basis we fail to give the best security to the depositors in the banks, and that in the latest analysis is what bank supervision should be for—to give better security to every depositor in every National bank in this country. I believe, therefore, in the strictest bank supervision and in the strictest bank examination, but I do not believe in annoying by any useless or frivolous criticism any bank. When criticisms are made they should be substantial ones and the Controller should see to it that any bad conditions are remedied at once.

"We must have for good banking three things: first, officers and Directors doing their duty under the law; secondly, efficient, well-trained bank examiners who will do their duty under the law in the face of any influence, and, thirdly, a Controller who will support his examiners when they are right and who will not support them when they are wrong. There ought not to be the slightest friction between the banks, the examiners, and the Controller. The three ought to work in absolute harmony and to the end the very best results may be obtained.

"We have in this country a dual system of banking, that is, State and National. There should be complete harmony and understanding between the Controller and the Supervisors of State Banks. I am glad to say that splendid harmony exists to-day. The Controller and the State Supervisors are working in complete accord; the National Bank Examiners and the State Bank Examiners are working in complete harmony, and the Clearing House Examiners in the reserve cities where they have such examiners are also working with the State and National Bank Examiners in complete harmony. With all these different elements working under different laws and different regulations, but still working in complete harmony and to one end there can be no doubt about banking conditions in this country improving more and more each year."

"MOST OF OUR MUSIC TEACHERS INCOMPETENT"—FRANK DAMROSCH

Well Known Conductor Deplores the Condition of Musical Instruction in This Country and Tells Why It Is So Bad.

HAT there exists a sad condition in the musical art world of this country has been the recent complaint of many critics and teachers who are known to have at least the high standard of opinion of general musical culture. This has come from many quarters, following well-planned investigations, and these, in turn, have led to a number of pertinent queries, some of which are quite unusual, in view of the subject to which they apply.

It has been shown that practically every community boasts its music teacher, or teachers, or music school, and that they enjoy a growing public patronage. But the qualifications of these teachers and schools, as a class? Are they competent to properly instruct the musical aspirant? Is their influence a community detriment or an advantage? Is the public really able to judge what is a good teacher or a good school?

The answers to these questions are of moment in more than one sense. The general standard of musical culture in the United States, which has grown steadily, but slowly, has yet to be raised, if this country is to take its reasonable place in the world of musical affairs. At least, so declare those who are working toward the end of America's pre-eminence in music.

Of this class Frank Damrosch is a conspicuous leader. His long effort in New York to elevate the standard of school work, which culminated in the private endowment of the Institute of Musical Art, and his general musical activities are well known. Whatever message he would have about musical conditions, then, would be, at least, authoritative. So to him the writer went and repeated the questions already noted.

"Ninety-nine per cent. of the music teachers in the United States are totally incompetent to teach music," was his first word in answer.

Mr. Damrosch spoke with conviction and certainty of his ground. His manner, however, was that of a man who is announcing something he deeply regrets.

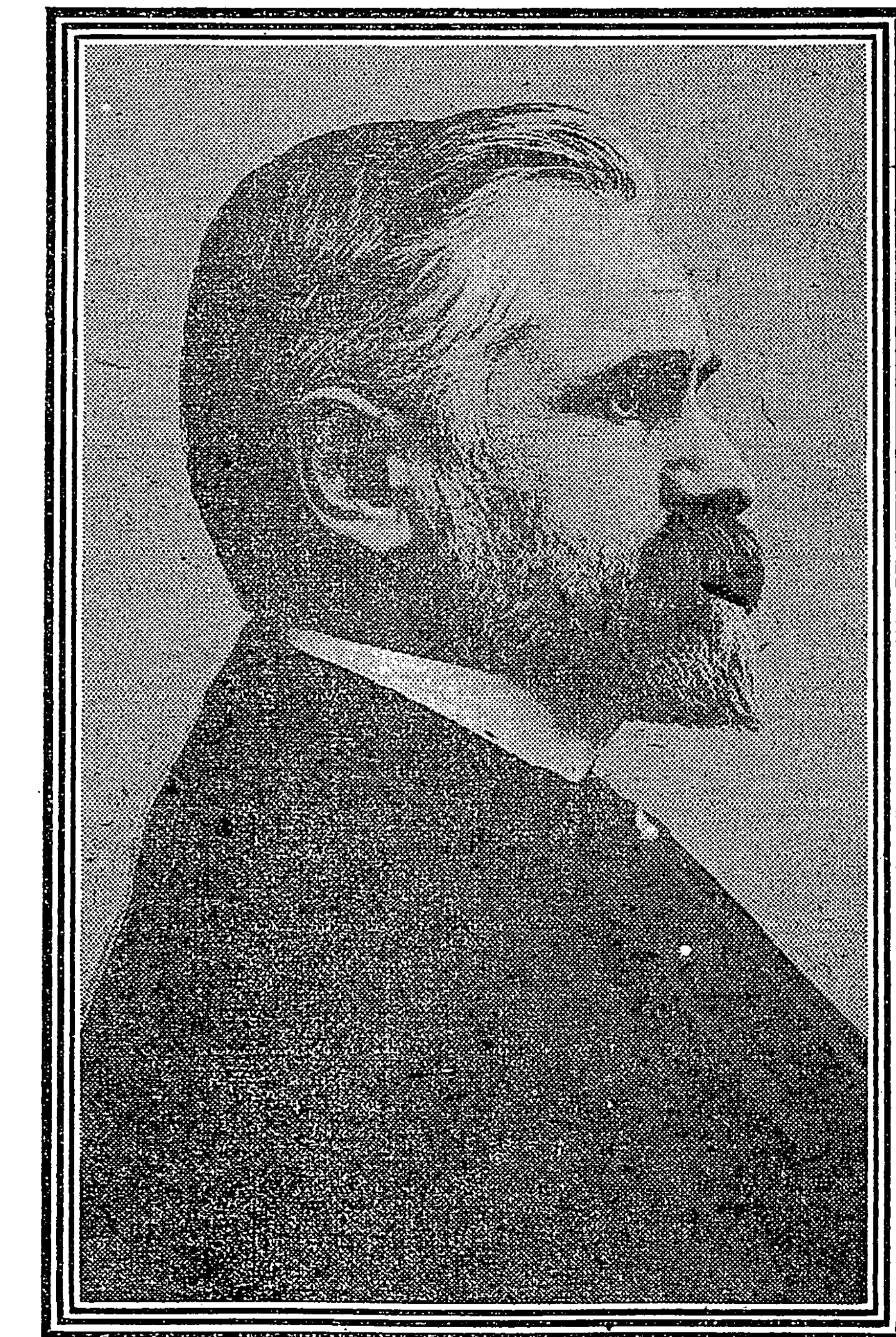
"Thousands of so-called music teachers are not in any way qualified to teach," he continued, "because they have not been trained to teach, nor have they received even a rudimentary knowledge of music."

"Many so-called music teachers have had only inferior instruction on the piano and have learned to play a few pieces after a fashion. Such persons start to teach for a livelihood on this slender foundation because it seems to them to be the easiest and pleasantest way to earn a living. The general ignorance of the public in matters musical makes it possible for such teachers to get employment."

"This has brought about a sad condition in the musical art world. There is more noise than music. People drum the piano instead of playing it. They have no idea of touch, phrasing and expression. Their musical taste is vulgar and without any conception of beauty and refinement. In listening to musical performances they admire the mountebank virtuoso, and fail to appreciate the true musician, and do not give a thought to the art work itself.

"And this has a bad effect on society in general. It places society on a low plane of culture. It affects the music in the churches, and causes those who cater to the amusement of the public to provide an inferior class of music.

"Enormous sums are wasted annually on so-called musical education. The poor teacher not only gives bad instruction, but wastes time. When a pupil has been taught wrongly for three years it will take him as many more years to unlearn his mistakes before progress in the right direction can be made. Here is a loss of six years' time and of a thousand dollars,



Frank Damrosch.

People are inclined to think that a cheap teacher is good enough to begin with. It is a fatal mistake. The best is only just good enough in art.

"It is nobody's fault that people don't know what musical education is or where to find proper teachers. It is simply the natural outgrowth of the conditions of development of this country. While a people are engaged in the task of opening up the material resources of the country they have no leisure or inclination to devote themselves to the refinements of life.

"As its prosperity grows, the first impulse is to lavish money on externals, such as fine houses, dress, expensive food, &c. Gradually, as these things grow stale, attention is given to the real things which make life worth living, and then music begins to find a place in the life of the individual and of society in general. That time is but just beginning in this country, and signs of awakening are plentiful in every part of the United States.

"As interest and knowledge of music grow, the demands on performers and teachers will grow, and the public will soon learn to discriminate between the real and the false."

to use his voice as well as its natural quality will permit.

"Only those who have special talents for musical performances should make a special study of the voice or of an instrument. If this were the general attitude there would be less suffering from bad musical performances, less waste of time and money, fewer disappointments of those who follow music as a profession without proper qualification, and a healthier musical life than exists under present conditions.

"A student before beginning study should demonstrate or awaken a real love and interest in music. He should possess

these prime qualifications. A desire to learn, a good ear, intelligence, perseverance, patience, conscientiousness, thoroughness, appreciation of beauty, and some musical talent."

"What should govern the choice of a teacher or school?"

"The ability of the teacher or school to teach the real thing—music—not merely the parrot-like performance of a few pieces. Even the private teacher can give some valuable musical instruction at each lesson, in addition to the technical. A good school can, of course, do infinitely more. But it must not be conducted on the lines of a department store, in which the customer buys a good teacher for so much money or an inferior or poor teacher for so much less.

"It must be conducted like a college, in which the student receives instruction in a course which prescribes all the subjects he ought to learn. Nor should the

student be allowed to choose his teachers, for it requires expert knowledge to determine what kind of teacher is needed by a student at a given time.

"The Institute of Musical Art of the City of New York is conducted on these lines, and no doubt there will be organized other similar schools ere long. Such schools cannot, of course, be commercially profitable, or even self-supporting, any more than Yale, Harvard, or Columbia. The moderate tuition fee would not suffice even to pay a fairly good private teacher, much less pay for a thorough education in six to eight subjects, such as is given at the institute, whose faculty is composed of the finest teachers to be found in Europe and America.

"Only a large endowment enables it to do this. Formerly, Americans could only find such schools in a few cities of Europe, but since the institute has been established it is no longer necessary to leave America, because it embodies all

the best features of the European schools, and has, besides, a higher average of teaching ability than can be found anywhere else. The chances of failure are greatly decreased by the fact that the student in an American school is not at the disadvantage of a foreign language, nor exposed to the many dangers which beset the young and inexperienced in a strange land, far from home influences.

"There is every reason to believe that America will rank high in music, as in all other things which require energy, resources, and high ideals. "Commercialism will always exist, but, just as in general educational matters, the State and the philanthropists have eliminated much of the commercial spirit, so will these factors influence beneficially the artistic life of American communities. The park concerts, public school instruction in music, the Metropolitan Opera House, the New York Symphony Orchestra, are present day examples of this."