LETTER

FROM

THE COMPTROLLER OF THE CURRENCY,

TRANSMITTING HIS

ANNUAL REPORT FOR THE YEAR 1865

DECEMBER 6, 1865.—Referred to the Committee on Banking and Currency, and ordered to be printed.

OFFICE OF THE COMPTROLLER OF THE CURRENCY,
Washington, December 4, 1865.

SIR: I have the honor to transmit to the House of Representatives the annual report of the Comptroller of the Currency, as required by the 61st section of the national currency act.

I have the honor to be, very respectfully, your obedient servant,

FREEMAN CLARKE,
Comptroller of the Currency.

Hon. SCHUYLER COLFAX,
Speaker of the House of Representatives.

REPORT.

Since the last annual report from this office two hundred and eighty-three new banks have been organized, and seven hundred and thirty-one State banks converted into national associations, making the total number organized to November first sixteen hundred and one; of which six hundred and seventy-nine were new banks, and nine hundred and twenty-two were conversions from State banks.

A statement of the respective States and Territories in which each bank is located, the paid-in capital, the currency delivered to each, and the bonds deposited with the Treasurer to secure their notes is herewith submitted; also a detailed statement of the affairs of each bank on the first Monday of October last, with an abstract of their condition on that day, an abstract of the condition of all the banks on the first days of January, April, and July, 1865; together with the names and compensation of the clerks and other employés, and the total expenses of the bureau, for the fiscal year ending June 30, 1865.

One bank has voluntarily gone into liquidation, and has been closed under the provisions of the law, viz:

First National Bank, Columbia, Mo.:

Circulation outstanding	$11,990
Circulation redeemed	78,010

Lawful money has been deposited with the Treasurer for the redemption of the outstanding notes of the above-named bank, and the bonds withdrawn.

The First National Bank of Attica, N. Y., has failed, and a receiver has been appointed to close up its affairs. Its outstanding circulation, none of which has been presented for redeemption, is $44,000, secured by $31,500 of six per cent. and $18,500 of five per cent. bonds.

By section 44 of the national currency act any bank incorporated by special law, or banking institution organized under a general law of any State, is permitted, on the performance of certain specified requirements, to be converted into a national association, with the same powers and privileges, and subject to the same duties, responsibilities, and rules as are prescribed for the associations originally organized under that law.

By the seventh section of the act amending the "Act to provide internal revenue to support the government," approved March 3, 1865, the privilege of conversion on the part of State banks was extended, so as to give a preference to those which should apply prior to the first day of July, 1865, over new associations applying for the privileges of the national currency act.

The result has been that nearly all of the State banks have voluntarily changed into national associations, and it is a gratifying fact that this transformation has been accomplished without deranging the business of these institutions, or affecting essentially the volume of bank note circulation. Since the amendment of the act, no national currency has been delivered to a converted State bank, until the circulation issued by it under State laws, had been reduced below the amount to which its capital as a national bank would have entitled it under the law; and as many of the converted banks had a greater amount of State notes in circulation than they were entitled to under the national act, the result has been to diminish rather than increase the volume of bank note circulation.

This restrictive course in reference to State bank circulation, has been the cause of great complaint on the part of many of the banks, more so, perhaps, for the reason that in several States the enabling acts giving consent to the conversion of the State banks to national associations, contain provisions nominally giving the right to converted banks to continue the issue of their State circulation for a limited time, after the conversion is completed.

It is, however, very clear that it is not the spirit or intent of the law to allow any national bank to have a greater circulation than the amount prescribed in the act, and that after a bank becomes a national association it is, as provided in the 44th section of the law, subject to and bound to observe all its provisions. A converted State bank is unquestionably bound to redeem its State circulation and discharge all the obligations of the State institution, while any State enactments granting privileges or imposing restrictions in conflict with or repugnant to the United States laws are necessarily void.

The national currency act permits the conversion of State into national institutions without reference to State laws, and it must be conceded that the laws of the United States are paramount to State enactments. The 23d section of the act prohibits national banks from issuing or circulating as money any notes other than such as are authorized by the provisions of the national currency act. If a national bank converted from a State institution pays out and circulates the notes of the State bank which it is bound to redeem, it certainly issues notes prohibited by the act.

If the rights of converted banks to reissue the notes of the State bank, and also to receive national notes to the amount that their capital entitled them to were recognized they would have had a double circulation, and the aggregate at this time would probably have been two-fold the amounts of their present issues.

The amount of national bank notes in actual circulation on the 1st day of October last, was		$171, 321 903
The amount of State bank notes in circulation at the same date, as appears by returns to the Commissioner of Internal Revenue, was		78, 867, 575
Making the bank circulation on the 1st day of October last		250, 189, 478
The amount of legal-tender notes and fractional currency issued and outstanding on the 1st of October, 1865, was		704, 584, 658
National bank notes in the hands of banks not yet issued		19, 525, 152
National currency yet to be issued to banks		109, 152, 945
Making the aggregate amount of legal-tender and bank notes in circulation as authorized to be issued to and by the banks*		1, 083, 452, 233
From which sum should be deducted, State bank circulation now outstanding that will be retired about as fast as national currency is issued to converted banks	$78, 867, 575	
Also the amount of "compound interest notes" converted into 5-20 bonds since the 1st of October last	44, 417, 329	
		123, 284, 904
The amount then left as the available currency of the country is		960, 167, 326
In order to ascertain the amount of actual active circulation on the 1st day of October last, there should be deducted from the last mentioned sum—		
The amount of national currency delivered to banks, and not then in circulation	$19, 525, 152	
National circulation not delivered to banks	109, 152, 945	
Amount of legal-tender notes held by banks, including $74,261,847 compound interest notes,	193, 094, 365	
Compound interest notes, other than those held by banks, mostly held as investments by insurance and trust companies and savings banks, less say $10,000,000 in actual circulation	121, 314, 195	
Currency in the treasury of the United States,	56, 236, 440	
Total		499, 323, 097
Which will show the actual circulation to be		460, 844, 229

This favorable exhibit of the amount of paper in actual circulation, is owing in a great degree to the accumulation of currency in the hands of the banks, in the absence of the great demands of the government for currency since the close of the war.

As an erroneous impression may prevail as to the aggregate amount of lawful money that banks are required to hold, it is thought proper to state that as the liabilities stood on the first day of October the required sum was $74,261,847 over the amount that banks were permitted to have to their credit, and count

* All statements and comparisons in this report are made up to the 1st of October last, that being the date of the last quarterly return from the banks.

as part of the same, in banks acting as redeeming agents. The banks held at that time $14,966,143 in coin, which, deducted from $74,261,847, leaves $59,295,704, the sum that they should have held in legal-tender notes to fulfil the requirements of the law.

It will be seen, therefore, that the sum held, in lawful money, in excess of the required reserve, was $170,045,896.

It cannot be necessary to dilate upon the inevitable consequences which must result from this excessive amount of irredeemable currency, if left uncontrolled by the action of government in respect to the reduction of its own issues, and in enforcing a system of redemption which shall curtail by its operations the power and tendency to expansion. So far as bank issues are concerned it is believed that the most efficient check would be found in its compulsory redemption in the great financial and commercial centres of the country—New York, Boston, or Philadelphia. Under such a system, properly enforced, many institutions established chiefly for the advantage arising from the issue of their own promises, without the expectation of being called upon to redeem them, would find that they had exceeded the requirements of legitimate business, and obtain relief in the abatement of their issues. The circulation thus withdrawn from sections where it is not required, could be dispensed to other portions of the country as yet but partially supplied with banking institutions.

In this manner, also, would a remedy be furnished for the unequal distribution which has resulted from the act of the 3d of March last, giving the preference to the conversion of State banks over applications for new national associations, without reference to the amount of currency which by such conversion has been concentrated in localities where the former institutions were the most numerous.

The national banks already organized embody a capital sufficient to entitle them to receive $309,672,992 of circulation on the deposit of the requisite securities in government bonds. It is not anticipated, however, that more than three hundred millions will be called for by banks now organized, as many of them, located in large cities of the northern States, will not ask for the amount of circulation to which their capital entitles them. Bonds have been deposited to entitle the banks now organized to $244,754,125 of circulation only. In no event will the limit of the act be exceeded.

Whatever may have been the intention of the framers of the federal constitution in respect to the measure of value to be used in the transaction of business during a time of peace, and in the ordinary flow of events, there is ample justification for a departure from a metallic currency and a bank circulation redeemable in specie on demand, in the necessities of the country as superinduced by the unparallelled civil war through which the nation has been called to pass. Now, however, that the emergency which called for this departure from first principles has happily been surmounted, it would seem to be the dictate of sound policy to return as speedily as the financial condition of the government and the business interests of the country will allow to a more normal condition of the currency, so that the pecuniary relations subsisting between ourselves and other nations may be placed upon a more harmonious basis of value.

The evils resulting from an irredeemable currency are too well known to require enumeration. They should be tolerated no longer than absolute necessity requires. The funding, and the consequent retirement of a portion of the inactive circulation shown to be now held in reserve, and liable to be called out as increased speculations and additional enhancement of prices may demand, and the consequent reduction of the same to the amount required by the actual necessities of business would seem to constitute one of the first steps towards that sound condition of finance under which alone a permanent prosperity can be secured. By such a course only can we place the manufacturing and producing interests of the country in a position to compete successfully with other

nations, prevent an excess of imports over exports, and thus prevent a drai n upon our resources, which must otherwise postpone to an indefinite period the resumption of specie payments.

Under the present inflation of prices the cost of labor and of all the elements entering into the production of staple commodities, whether in agriculture, mer chanics, or manufactures, is such as to invite the direct competition of all otheo countries in our own markets. It is this which makes our market the best to sell in and the worst to buy in on the part of foreigners, and which, in the consequent absence of an adequate export demand, must eventuate in the denuding us of the precious metals and the creation of a debt abroad that will be a greater drain upon our resources than our present national debt.

By a gold valuation of our imports and exports, the balance that has accrued against this country during the four years previous to the 30th day of June last, including the interest on American securities held abroad purchased within that time, and also taking into due consideration the difference between the standard of our own and that of foreign gold, (nine and three-eighths per cent.,) has been $308,000,000 of dollars.

By reason of the probable falling off in the export of coin, and the increased amount of interest to be paid abroad, it is estimated that the accruing balance during the present fiscal year will amount to $120,000,000, making a total for five years of $428,000,000.

Our only resource to pay this gold balance against us has been and still is the sale of our securities abroad. The amount required, if sold at an average discount of forty per cent., will be $713,000,000, and the annual interest at six per cent. will be $42,780,000. The discount of forty per cent. will amount to $285,200,000; every dollar of which will be an entire loss to the country.

The almost exclusive use and demand for gold now is for the payment of custom duties to be paid out again for the interest on the public debt; this is followed by the sale of the surplus beyond the amount required to pay the interest, which surplus again accumulates to go repeatedly through the same process. If one-half of the differences between our imports and exports were paid in gold as they occur, the price of gold and foreign exchange would have long since reached a rate sufficiently high to have materially checked our imports and increased in a corresponding ratio our exports. The price of gold is now governed by the demand for the purposes stated, and the foreign balances against us are paid as before shown, by the sale abroad of government and other securities at a discount of about forty per cent.; thus instead of paying, creating an additional indebtedness to the extent of the difference between the amount received for our securities and their par value, every fraction of which we shall ultimately have to pay in gold, in addition to the interest. It may be said that our exports will be increased by the addition of southern productions. This will undoubtedly be so; but to no greater extent than our imports will increase. The south will need more than all the goods her surplus crops will purchase, and if we cannot compete in the open market with other nations, our relative position in reference to imports and exports will not be improved.

In view of our position, prudential considerations would seem to point to such an adjustment of the tariff, intermediate to the resumption of specie payments, as to discourage inordinate importations; this can be done by increasing the rate of duties just in proportion as the price of gold and foreign exchange may recede, thus keeping up the cost of importations as high as they now are, including the present rate of foreign exchange. This could be followed by a graduated reduction of such increase, say ten per cent., at the expiration of each six months, until brought down to the original rate. Imports would be held back in view of such reduction, and there would be no overwhelming crash resulting from a sudden fall of prices, but business would adjust itself to the present and prospective condition in which it would be placed under the legislation indicated.

In the mean time, by a steady reduction of the volume of irredeemable currency and consequent reduction of prices, we would be able once more to place our manufactured and agricultural productions on a footing that would enable them to enter into successful competition with those of other nations in the markets of the world.

As the first step to be taken towards a reduction of the government issues used as currency, sound policy would indicate the conversion of all the interest-bearing legal-tender notes into 5-20 six per cent. bonds. It is believed that the slight contraction caused by such conversion would be scarcely perceptible, more especially at this time, as it is not probable that more than five per cent. of the whole issue is now in active circulation. It would be simply exchanging one security held as an investment for another.

The national banks alone, as shown by their reports, held on the first of October last $193,094,365 in legal-tender notes, or $22,772,462 more than the whole amount of their national bank circulation at that time; they also held in notes of other banks $16,247,241, and of their own notes not in circulation $19,526,152, making a total of unemployed circulation in the hands of national banks $228,966,758, which is several millions more than the entire paper circulation of the country on the first of Janaary, 1861, or at any previous period.

In view of the urgent demand that will undoubtedly be made for an increase of the national bank circulation, and as a gentle mode of further reducing the volume of legal-tender notes, it is suggested that the national currency act be so amended as to allow an increase of the limit to four hundred millions of dollars, on conditions only, that all the banks be required to redeem their notes in New York, Boston, or Philadelphia; and also that an issue of six per cent. 5-20 bonds be authorized to the amount that it will require to secure the additional circulation under the provisions of the act, which bonds the banks, when organized, shall purchase as each may require of the Secretary of the Treasury at such fair rate as he may from time to time prescribe, but not less than their par value, and pay for the same in the United States legal-tender notes, and all notes so received shall be cancelled and destroyed. The bonds so issued would not affect the price or demand for other bonds, as they would be held as security for the circulation, and only offered in market in the event of the failure or closing of a bank.

With the requirement to redeem at the central and accessible points mentioned, there would be but little danger of bank issues exceeding the limits prescribed by the demands of legitimate business.

Under the action indicated, it is believed that the balance of trade with other nations would within a reasonable time be again turned in favor of this country; whenever that point is reached, with the perfect confidence which would ensue in the convertibility of legal-tender notes and the stability of sound bank circulation, the return to and maintenance of specie payments would be rendered comparatively easy, and the demand for gold be confined to the healthful and legitimate adjustment of balances with foreign countries.

Although of comparitively recent origin, and yet in the infancy of its development, the national banking system has become thoroughly interwoven with all the business and interests of the country. Not only the stockholders in the national banks, but every member of the community has an immediate interest in the stability of a currency which forms the medium of exchange and value, not in isolated sections of the country between particular classes, but throughout the length and breadth of the land, and by every citizen of the republic. And this system, so ramified and so essential to the prosperity of all classes, is based upon the national faith and credit as its chief corner-stone, and can only exist as that credit is maintained intact.

Nobly have our citizens battled for the preservation of our institutions; freely have they poured out their blood and treasures to sustain the govern-

ment in its contest with ruthless treason, and now that success has crowned their exertions and sacrifices, the maintenance of the national honor, through an unsullied public credit, becomes a no less imperative and solemn duty; nor can it be doubted that all just measures calculated to sustain the faith and integrity of the government will find a ready response from the patriotic masses.

The resources of the country are great beyond enumeration, the development of wealth rapid beyond precedent, and it requires only a judicious application of means to the end proposed to enable the government not only to meet all its pecuniary obligations with entire promptitude, but without imposing exactions that shall be unduly burdensome or give just cause of complaint to the people.

It is believed that from a few sources a revenue can be raised sufficient to meet the interest on the public debt, pay the ordinary expenses of government, and contribute thirty millions of dollars annually to a sinking fund that will pay the national debt in thirty-two years and a half.

The tariff can be so adjusted as to produce one hundred and twenty millions of dollars; one hundred millions can be raised on whiskey, malt liquors, and domestic wines; fifteen millions on tobacco; one hundred and twenty-five millions on cotton; fifteen millions from stamps; from licenses twenty millions, and from the premium on the surplus of gold, after paying interest on bonds, ten millions, making, in the aggregate, four hundred and five millions of dollars, a sum probably one hundred millions in excess of the amount that will be required under an economical administration of the government, leaving a large margin on the above estimate for reduction. The estimates, however, of the revenue derivable from the several sources indicated are not the result of loose conjecture, but each is founded upon a careful inquiry in reference to past productions and revenue under the existing law.

It is estimated that the cotton crop the next year will amount to between two and a half and three millions of bales; a tax of ten cents per pound on two and a half millions will produce one hundred and twenty-five millions of dollars. It is reasonable to suppose that the annual crop of cotton, after two or three years, will equal in amount the average of the crop for a few years previous to 1861, which was about four and a half millions of bales. A tax of eight cents per pound on that quantity would produce one hundred and eighty millions of dollars, a sum more than sufficient to pay the interest on the public debt after the entire amount is funded. The license and stamp duties could be dispensed with after the next fiscal year, and it is to be hoped that after that period no more income will be derived from premium on gold.

Three-fourths of the crops of cotton and tobacco are exported; that proportion therefore of the tax on those articles would be paid by foreign countries, and to that extent contribute to the liquidation of the public debt and relief of our own people.

A tax on cotton of eight or ten cents per pound would neither diminish the domestic production or foreign demand for that staple. Our means of production, natural and applied, are such as to enable us to furnish the article at a less price, including the tax proposed, than any other country. Even at half the price which this product now commands in New York and Liverpool it can be grown and sold at a large profit, including the proposed tax, in its cost. Nor would the imposition of a tax on the staple production of the southern States prove injurious to that section of the Union. It will of necessity be a large purchaser of northern manufactures, and if by the proposed measure the north and south be relieved almost entirely from other taxation for government purposes, as they would be if cotton is taxed to the extent proposed, their purchases would be made at a correspondingly less price, and both north and south derive a benefit from the operation.

By thus restricting the subject of revenue to a few articles of general production the cost of collection would be greatly reduced by the discharge of a

whole army of assessors, collectors, &c., to the manifest advantage of the public treasury; nor would the least of the benefits to result from this action be found in the fact that such an adjustment of the system of taxation would leave no ground for public complaint, and consequently preclude *dishonest and disloyal politicians* from uniting with the *enemies of the Union* in assailing the public credit and repudiating the national obligations.

There is no question which more vitally concerns the national banking system than the power of the States to tax the government securities which form the invested capital of the banks organized under that system. Not only have their investments been made upon the solemn pledge of the national faith, held out to corporations and individuals, that their stocks should be "free from taxation by or under State authority;" but the option of refraining from such investment was denied to the national banks, as it was by law made a fundamental condition to their existence that one-third of their capital should at all times be held in the form of national securities by the Treasurer of the United States; and, in addition, every dollar of their circulating notes must be secured by a like deposit. Hence, while individuals might have refrained at their pleasure from placing confidence in the good faith of the government, these institutions were deprived of such liberty of action; and now, while the right of individuals to immunity from taxation on government stocks is generally conceded, the like privilege is sought to be withdrawn from the national banks by their taxation for State, municipal, and local expenses. The constitutional ægis, which the Supreme Court of the United States has hitherto extended over the national securities, no matter by whom or for what purpose held, is now sought to be wrested from its hands upon the theory of State jurisdiction; a flagrant violation of the contract entered into with the public creditors under the clearest enactments of law, and the most binding obligations of public faith. It is conceded for the most part by the advocates of State taxation, that the United States stocks in the hands of individuals cannot be assessed for State and municipal purposes. But a discrimination against the stocks held by banks is sought to be established, on the ground that a tax imposed upon the shares in a bank is not a tax upon the securities represented by those shares. That the position assumed by those who favor this hypothesis will be found, upon critical examination, to be fallacious can scarcely admit of a doubt; that the discrimination in favor of one class of creditors and against another, both having complied with the same conditions, is grossly unjust, must be obvious to all. That exemption from State taxation was intended to apply to the stock issued, no matter in whose hands it might be found, cannot be questioned. No exception was made in favor of individuals; no discrimination was attempted against banks. If the shares of a bank whose capital is invested in United States stocks be taxable, to whose benefit does the exemption from taxation guaranteed to those stocks inure? Does the principle of immunity pledged by Congress become inoperative because an association has loaned to the government the money for which it holds those obligations? Surely, the exemption belongs to some person, and to whom can it be assigned but to the respective stockholders, whose scrip simply represents the proportionate share which each has contributed to the purchase of the government securities. Upon the theory propounded, an individual who purchases one hundred thousand dollars of government stock for a specific purpose, may plead, and receive, the exemption from State taxation which the act of Congress pledges; but if four persons purchase the like amount for a similar purpose, and each receives a certificate of the amount he has paid towards the gross investment, they lose all benefit of the immunity attached to the securities in hand. The injustice, if not the absurdity, of such discrimination must be sufficiently obvious.

Nor will the impropriety of the proposed taxation of national banks be less apparent, when it is borne in mind that they are already taxed by the general

government to a greater extent than any other corporations or class of business. The law of their creation requires them to perform certain duties, and authorizes them to exercise certain privileges, yet for this they must pay a license. It imposes, also, a tax of one-half of one per cent. on their deposits, one per cent. on their circulation, one per cent on their capital beyond the amount invested in government securities, and five per cent. on their income or earnings. All this is paid from the ordinary earnings of a bank, and reduces its profits to the extent of the taxes paid, whereas all other corporations, manufacturers, &c., are permitted to increase their rates and charges to a sum more than adequate to cover the amount of taxes paid, thus preserving their profits intact, and catsing their burdens upon the public, in the capacity of consumers, travellers, &c.

It is not through palpable injustice to vested interests, and by a disgraceful violation of public faith, that the subject of State taxation should be reached If public policy demands a contribution to State and local expenses at the hands of these institutions, there is a mode of attainment not distant which can be reached without a breach of national honor. Nearly three-fourths of the public debt is either not funded, or matures at the option of the government, within a short period, and almost the whole amount within the next eight years. It is within the power of the government at such time, without violence to its engagements, to try the experiment of issuing bonds subject to State taxation, or of borrowing at a less rate of interest than is now paid, thus extinguishing its present obligations to its creditors. But every dictate of expediency and justice, its character and credit at home and abroad, demand that Congress and the highest judicial tribunal of the nation shall frown upon all attempts to override the constitutional functions indispensable to the preservation of the credit and stability of the government.

But as neither public policy nor constitutional right can at present allow the taxation of national banks for State and local purposes, it would be equitable that these institutions should pay, say one per cent., on their capital, (irrespective of the amount invested in public stocks,) in lieu of all present taxation for revenue purposes, and one-half of one per cent. on their circulation as an indemnity to the government for the expense incurred in furnishing the banks with circulating notes, and meeting the expenditures incidental to the administration of this bureau. Perhaps a preferable method in relation to the expenses thus incurred for circulation and supervision would be found in waiving the tax on circulation, and meeting the expenditures required by such direct assessment on the banks as should be equitable.

There are some amendments to the national currency act suggested by the experience of its practical workings, which, if adopted, would prove of great utility, the most important of which has already been alluded to—requiring banks to redeem their issues at par in either of the cities of New York, Boston, or Philadelphia, as the only certain method of securing for national bank notes a uniform par value in every section of the country, and prevent an excess of issues beyond the legitimate demands of business.

A penalty should be imposed upon banks for issuing notes with the engraved and printed signatures of the officers. The greatest protection against counterfeiting is found in the written signatures of those through whom the bills are uttered. The fact that they are written and not printed renders it incumbent on the counterfeiter to attempt an imitation through the same instrumentality on each note. He may make a fac simile of the signature once, but in the very next attempt make such a variation as to disclose the spurious character of the note. But a printed signature being once correctly imitated, the same result is produced at each revolution of the press with mechanical accuracy. Just as safely might the merchant send his notes to an engraver to have his signature and those of his indorsers stamped thereon, as for banks to have their notes executed through this process. Unless all possible guards which

ingenuity can devise be thrown around the currency, it will soon be difficult to distinguish the spurious from the genuine issue, and banks will be as likely to redeem the former as those of their own promulgation.

By the first section of the national currency act, the bureau under which its operations were to be carried into effect, is made an adjunct of the Treasury Department, and of course located at Washington. During the incipiency of the measure there were many reasons rendering contiguity to the treasury desirable and proper; but now that the system has become operative, and what was theory at the first has been reduced to practice, there are many reasons which render it expedient that the operations of the currency bureau should be transferred to the great financial and business emporium of the country, the city of New York. Not only would the convenience of those concerned in the business of banking be promoted by the change of location, but a great saving in expense would thus be effected. Nearly two hundred thousand dollars per annum in express charges alone would be saved to the government and the banks by the change of location proposed; while the risk, loss of time, and personal expenses, which would thus be obviated, are large in the extreme. When the circulation now in use by the banks shall have become worn, and require renewal by exchange of old for new, the inconvenience, loss of interest, and expense, will be increased to a manifold extent.

The government already owns the buildings in New York which a transfer of the office would require for its accommodation, that are now rented for about the sum the Treasury Department is paying for an equal amount of room outside of the treasury building that would be vacated by the removal of the bureau. I am satisfied, therefore, that both the interests of the government, the public and the banks would be subserved by a transfer of the bureau to New York at an early day.

With a system of redemption properly enforced, the banks located out of the cities named as redeeming points, should be relieved from the obligation to keep a reserve equal to fifteen per cent. of their circulation and deposits constantly on hand. It would be a hardship to require banks to be prepared to redeem both at home and at one of the points indicated, and in addition to keep an idle reserve of fifteen per cent. against contingencies.

There is no real strength or safety derived from the provision as it exists. When a bank fails, neither money nor reserve in any shape would be found on hand, and the sooner those that are improperly conducted or are organized for other than a legitimate banking business are closed up, the better will it be for the system and the public.

By the 32d section of the act it is provided "that every association formed or existing under the provisions of this act shall take and receive at par, for any debt or liability to said association, any and all notes or bills issued by any association existing under and by virtue of this act."

The provision is anomalous in its character. To compel a bank to respond to the demands of its creditors in *lawful money*, and yet compel it to receive from its debtors such currency as they may choose to offer, does not seem to be warranted by equity or sound policy. It is even questioned whether a national bank is compelled to redeem its circulation at all, in lawful money, if presented by an association organized under the same act, as any "debt or liability" may be discharged by its *own notes* or notes of other national banks, when that "debt or liability belongs to any other association" existing under and by virtue of "the national currency act." The intention and scope of the statute is evidently against such a construction of its provisions, but all ambiguity in reference to it should be removed. All the banks should be required to redeem their notes and pay their balances in lawful money, as well to each other as to the public.

Whatever hostilities the national banking system may have encountered in its first inception, it is no longer denied that it has entrenched itself strongly in

the feelings as it has commended itself to the convenience and interests of the whole people. Coming into conflict with local prejudices, and assumed to run counter to private interests, it was natural that its practical operations should have been regarded with jealous suspicions. It is not among the least of the triumphs of the system, that in a period of war, amid monetary disturbances, caused by the gigantic requirements of the government, it has stood the test of practical experiment in the most satisfactory manner, vindicating the partialities of its friends, and overcoming by its beneficial effects the hostilities of its most determined enemies.

In a country already celebrated for its commercial, manufacturing, and agricultural activity, no want could be more sensibly felt than that of a homogeneous currency, of equal value at the circumference, as well as at the commercial centres of our extended country. This could not be obtained under the restricted operations of State laws, nor could it be furnished by institutions necessarily circumscribed in their fields of operation, diverse in the extent and character of their liabilities to the public, and without a recognized basis of credit adequate to insure the public confidence in sections remote from the locality where such liabilities were payable It is not denied that the State banks have been of great, if not indispensable service in the development of the resources of the country; it is not designed to underrate their usefulness, to question their patriotism, or assail the integrity of the banking institutions of the States; but as in all enlightened communities there will be progress and improvement, it cannot be regarded as invidious to claim for the national banking system a superiority over the more limited system of State institutions, inasmuch as it furnishes a safe and convenient paper circulation, based upon the national credit, and which thus far has been, and with a slight amendment to the act may continue to be, of uniform value throughout the length and breadth of the land. Not only are the regulations by which the national banks are governed of equal applicability; not only are they based upon actual capital and individual responsibility, carefully enforced; but underlying these safeguards there is a foundation of unparalleled security in the government bonds which they are required to hold. A system thus anchored, in which the whole community has a common interest, cannot fail to subserve the highest object of its creation, nor cease to be regarded with favor by an intelligent people.

While, in conclusion, it is allowed me to congratulate Congress and the country on the popularity which the national banking system has achieved, I would add the hope that these institutions may never become subject to the schemes and caprices of political parties, but that in them and through them the public faith and credit may be upheld, and the prosperity of the country greatly promoted.

FREEMAN CLARKE,
Comptroller of the Currency.

REPORT

OF THE

COMPTROLLER OF THE CURRENCY.

OFFICE OF THE COMPTROLLER OF THE CURRENCY,
Washington, 1866.

SIR: In compliance with the provisions of section 61 of the national currency act, I have the honor to present through you to the Congress of the United States the following report:

Since the last annual report, sixty-two (62) national banks have been organized, of which fifty-one (51) are new associations, and eleven (11) are conversions of existing State banks to the national system, making the total number organized up to October 1, one thousand six hundred and sixty-three, (1,663.)

The following table will exhibit the number of banks, with the amount of capital and circulation in each State and Territory:

States and Territories.	Organized.	Closing or closed.	In operation.	Capital paid in.	Bonds deposited.	Circulation issued.
Maine	61	.....	61	$9,085,000 00	$8,396,250	$7,451,820
New Hampshire	39	.....	39	4,715,118 07	4,727,000	4,121,253
Vermont	39	.....	39	6,310,012 50	6,411,000	5,676,800
Rhode Island	62	.....	62	20,364,800 00	14,144,600	12,369,850
Massachusetts	208	1	207	79,932,000 00	64,270,300	56,740,570
Connecticut	83	1	82	24,584,220 00	19,471,500	17,177,450
New York	313	5	308	116,267,941 00	75,970,400	67,135,485
New Jersey	54	.....	54	11,233,350 00	10,324,150	9,030,745
Pennsylvania	203	2	201	49,260,765 00	43,324,350	38,099,640
Maryland	32	.....	32	12,590,262 50	10,052,750	8,745,450
Delaware	11	.....	11	1,428,185 00	1,348,200	1,179,300
District of Columbia	6	1	5	1,550,000 00	1,442,000	1,276,500
Virginia	20	.....	20	2,500,000 00	2,397,300	2,044,900
West Virginia	15	.....	15	2,216,400 00	2,236,750	1,980,650
Ohio	136	1	135	21,804,700 00	20,771,900	18,375,230
Indiana	72	1	71	12,867,000 00	12,400,850	10,888,280
Illinois	82	.....	82	11,570,000 00	10,818,400	9,448,415
Michigan	43	1	42	4,985,010 00	4,313,600	3,778,900
Wisconsin	37	.....	37	2,935,000 00	2,848,750	2,512,750
Iowa	46	1	45	3,697,000 00	3,680,150	3,204,395
Minnesota	15	.....	15	1,660,000 00	1,682,200	1,484,000
Kansas	4	.....	4	325,000 00	332,000	269,000
Missouri	17	2	15	4,079,000 00	2,903,100	2,712,490
Kentucky	15	.....	15	2,840,000 00	2,645,000	2,311,270
Tennessee	10	.....	10	1,700,000 00	1,306,200	1,096,790
Louisiana	3	.....	3	1,800,000 00	853,000	727,000
Nebraska	3	.....	3	200,000 00	180,000	150,000
Colorado	3	.....	3	350,000 00	134,000	59,500
Mississippi	2	.....	2	150,000 00	75,000	65,500
Georgia	9	.....	9	1,700,000 00	1,305,500	1,124,000
North Carolina	5	.....	5	370,750 00	399,000	228,600

Table showing number of banks, &c.—Continued.

States and Territories.	Organized.	Closing or closed.	In operation.	Capital paid in.	Bonds deposited.	Circulation issued.
South Carolina	2	.....	2	$500,000 00	$140,000	$126,000
Arkansas	2	.....	2	200,000 00	200,000	179,500
Alabama	3	.....	3	500,000 00	304,000	262,500
Utah	1	.....	1	150,000 00	50,000	44,970
Oregon	1	.....	1	100,000 00	100,000	88,500
Texas	4	.....	4	548,700 00	403,500	337,750
Nevada and Montana	2	.....	2	235,000 00	195,000	166,000
	1,663	16	1,647	417,245,154 07	332,467,700	292,671,753

From the number of banks organized, heretofore stated to be sixteen hundred and sixty-three, should be deducted sixteen, leaving the number in active operation sixteen hundred and forty-seven.

The banks to be excluded are the following:

NEVER COMPLETED THEIR ORGANIZATION SO AS TO COMMENCE BUSINESS.

The First National Bank of Lansing, Michigan.
The First National Bank of Penn Yan, New York.
The Second National Bank of Canton, Ohio.
The Second National Bank of Ottumwa, Iowa.

SUPERSEDED BY SUBSEQUENT ORGANIZATIONS WITH THE SAME TITLES.

The First National Bank of Norwich, Connecticut.
The First National Bank of Utica, New York.

IN THE HANDS OF RECEIVERS.

The First National Bank of Attica, New York.
The Venango National Bank of Franklin, Pennsylvania.
The Merchants' National Bank of Washington, District of Columbia.

CLOSED AND CLOSING UNDER THE PROVISIONS OF SECTION 42 OF THE ACT.

The First National Bank of Columbia, Missouri.
The First National Bank of Carondelet, Missouri.
The First National Bank of Leonardsville, New York.
The National Union Bank of Rochester, New York.

The Pittston National Bank, Pittston, Pennsylvania, consolidated with the First National Bank of Pittston, Pennsylvania.

The Berkshire National Bank of Adams, Massachusetts, consolidated with the First National Bank of Adams, Massachusetts.

The Fourth National Bank of Indianapolis, Indiana, consolidated with the Citizens' National Bank of Indianapolis, Indiana.

An abstract, by States, of the quarterly returns made to this office for the quarters ending January 1, April 2, July 2, and October 1, 1866, with a detailed statement of the condition of each bank at the close of the last quarter, is herewith submitted.

A statement showing the names and compensation of the clerks and employés and the total expenses of the bureau for the fiscal year ending June 30, 1866 is also appended.

Two banks which had given notice of going into liquidation under section 42 of

the act, prior to the date of the last report, have paid over to the Treasurer of the United States the amount of their outstanding circulation in lawful money and taken up the bonds which they had on deposit with the Treasurer for the security of such notes, as follows, viz:

The First National Bank of Columbia, Missouri, $11,990.

The First National Bank of Carondelet, Missouri, $25,500. These banks are now closed.

During the past year the First National Bank of Leonardsville, New York, and the National Union Bank of Rochester, New York, have voluntarily given notice of going into liquidation as required by law.

The First National Bank of Leonardsville has a—

Capital of	$50,000
Bonds deposited	50,500
Circulation	45,000

The National Union Bank of Rochester has a—

Capital of	$400,000
Bonds deposited	250,000
Circulation	192,500

The Merchants' National Bank of Washington and the Venango National Bank of Franklin, Pennsylvania, having failed to redeem their circulating notes when presented for that purpose, have been placed in the hands of receivers as required by law. The circumstances attending the failure of these two banks were fully investigated and reported by a committee of the House of Representatives during the last session of Congress.

The receiver of the First National Bank of Attica, New York, has brought his labors nearly to a close, and a dividend will be declared to the general creditors of the bank on or about the first of January, 1867. The bonds deposited to secure its circulating notes, namely, $31,500 of six per cent. and $18,500 of five per cent. bonds, were sold at public auction in the city of New York on the 8th day of October last, in accordance with the provisions of section forty-eight of the currency act. The net amount realized from the sale was $51,556 25. Of this sum, $44,000 in lawful money was deposited with the Treasurer of the United States for the redemption of the outstanding circulation of the bank, and, under instructions of the receiver, $7,556 25 was paid into the treasury, according to the provisions of section fifty of the act for the benefit of the general creditors of the bank. The amount of outstanding circulation redeemed to October 1 was $5,320.

With these exceptions, the national banks throughout the United States seem to be in a sound and healthy condition, as evidenced by their quarterly reports to this office, verified by careful examinations made by agents appointed for that purpose. Their total resources on the 1st of October last were $1,525,493,960; their liabilities to the public for circulation and deposits were $1,024,274,386; leaving a surplus of $501,221,574 for capital and earnings, which are likewise a pledge for the payment of all debts to the public.

The increase of capital, bonds, and circulation of national banks for the year ending October 1, 1866, has been as follows:

Increase of capital paid in	$21,515,557
Increase in bonds deposited to secure circulation	56,247,750
Increase of circulation issued	101,824,698

This statement shows an increase of something more than one hundred millions of national currency; but during the same period national banks which have been converted from State banks have retired fully fifty millions of their

State circulation, making the actual increase in the volume of currency only about fifty millions.

To correct a misapprehension which exists in the minds of many that the entire amount of national circulation issued has been added to the volume of currency, it may be well to take into consideration the amount of State bank circulation at a period just prior to the inauguration of the national system. The bank circulation of the United States in January, 1862, was one hundred and eighty-four millions of dollars, distributed as follows:

Northern and western States	$144,000,000
Southern States	40,000,000

Subsequent to this date no further returns were received from the southern States.

Immediately following the suspension of specie payments there was an expansion of bank note circulation, which reached, in January, 1863, in the northern States alone, two hundred millions of dollars, making an increase in one year of fifty-six millions. Relieved of all liability to redeem, the evident tendency of the banks was to still greater expansion. No reliable returns later than January, 1863, are accessible; but the prevailing tendency of the times towards inflation, and the great temptation to banks to avail themselves of the opportunity to put in circulation very large amounts of their notes, without any restraints in the way of redemptions, would favor the opinion that this was *not* the highest point reached by the circulation of State banks. The forty millions of currency in the southern States may now be added, giving an aggregate of two hundred and forty millions State bank circulation, which has been in great part replaced by national currency. Without making any invidious comparisons, it is no injustice to say that the substitution of a currency based upon United States bonds, secure beyond any contingency, for the miscellaneous issues of State banks, has done much towards sustaining public confidence, and preventing distrust and possible financial disaster.

REDEMPTIONS.

The law as it now stands provides for the redemption of national currency in the cities of St. Louis, Louisville, Chicago, Detroit, Milwaukee, New Orleans, Cincinnati, Cleveland, Pittsburg, Baltimore, Philadelphia, Boston, New York, Albany, Leavenworth, San Francisco, and Washington. An amendment to the law was proposed during the last session of Congress, requiring all national banks to redeem either in Boston, New York, or Philadelphia, but was postponed until the present session. Some system of practical and effective redemptions is desirable for the preservation of a healthy currency, and as a safeguard against redundancy. Under the existing requirements, thirteen hundred and twenty banks out of sixteen hundred and forty-seven voluntarily redeem in New York, Boston, and Philadelphia. These banks represent two hundred and forty millions of currency, of which three-fourths are redeemed in New York.

The same arguments urged in favor of requiring redemptions in these *three* cities would, if carried to their logical conclusion, establish the expediency of requiring redemptions at *one* central point. Every national bank in the United States is obliged by the necessities of business to keep an account in New York city; clearly showing the current of trade and the tendency of money, and affording evidence that New York is the great commercial and financial centre.

A currency of uniform value in all sections of the Union is of the highest importance to the commercial and industrial interests of the country. The notes may be of uniform design and have the same ultimate security, but these conditions, though steps in the right direction, will not compass the end in view, unless the notes are available at par for the payment of debts and settlement of balances at the financial centre.

Banks of issue are a necessity of our financial system, recognized, encouraged, and protected by the government for the public good. In return for privileges conferred they should be required to make their issues conform to the demands of trade. The demands of trade require currency that will pay debts at the centre of trade. If the banks do not furnish a circulation that will conform to this standard, their issues will be depreciated and the loss will fall upon the business of the country.

The question is whether this tax shall be borne by the people, while the banks reap the profit, or whether the banks shall perform their whole duty by furnishing a currency which shall be available for the payment of debts everywhere, and thus complete the conditions necessary for a "uniform value." This question is one of growing importance, and one that presses for an early solution.

National banks in Boston, New York, and Philadelphia recognize their obligations to meet every demand in lawful money of the United States, whether it be gold and silver or legal tender notes. They are obliged by law to receive in payment of debts the notes of every other national bank; but they cannot compel their customers to receive the same notes for their balances due from the banks; and here lies a difficulty which will subject the banks in those cities periodically to very great embarrassment.

The tendency of money to accumulate in these centres of trade—except at certain seasons of the year, when it is needed to bring forward the products of the middle, western, and southern States—is a fact which cannot be questioned. These banks are obliged to receive all that is offered, but cannot pay it out. An escape from this dilemma may be found in either of three different ways: First, the banks may be relieved from the obligation to receive this currency in payment of debts; or, secondly, national currency notes may be made a legal tender from the bank to its customers; or else, thirdly, national currency may be kept at par by redemption at the great centres of trade.

Without discussing the expediency of acting in accordance with either of the two suggestions first named—because the first method would leave the currency in a worse condition than it now is, and because the second method would be arbitrary, and would place national bank notes on a par with United States notes, the necessity for which is not apparent at this juncture—the natural and most feasible method would seem to be that requiring the banks to keep their own issues at par by redemptions as above stated.

Under existing circumstances this requirement cannot be onerous; lawful money, which now stands as the representative of specie, as the agency of redemptions, being materially in excess of the currency to be redeemed, would make the inauguration of a system of central redemptions feasible and practicable to an exceptional degree. Four-fifths of the banks have voluntarily recognized the propriety and expediency of such a course by selecting their redemption agencies in New York, Philadelphia, and Boston. Justice requires that those banks which are willing to conform to the highest standard should be sustained; and this can be done effectually only by requiring all to place themselves on the same ground. It is questionable, however, whether this object would be best attained by the plan proposed in House bill No. 771, which was postponed to the present session. This bill provides that every bank shall redeem its circulating notes at an association in one of the seventeen cities named in section thirty-one of the currency act, but that each bank in those cities shall redeem in New York, Philadelphia, or Boston its own notes and the notes of every other bank for which it may be the redemption agent. The object of the last provision is indirectly to compel every bank to redeem either in New York, Philadelphia, or Boston; not so indirectly, however, but that its purpose is perfectly evident, and therefore open to every objection that would be urged against a direct requirement of law to that effect.

In recommending redemptions in New York, there is no intention to ignore

the claims of any other section of the country. There are cities of great commercial importance in the middle, western, and southern States, whose financial interests demand consideration. The notes of banks located in those cities are, by the provisions of the law as it now stands, redeemable in New York, and the managers of those banks would not have it otherwise. If the law did not require it, they would voluntarily redeem there. The proposed amendment only requires all other banks to do the same thing. It will give those cities and the banks in those cities a currency that is worth par in New York, instead of a depreciated currency that would be a continual clog upon all business operations.

If any particular section is not tributary to New York, the fact that the banks of that section are required to redeem in New York will not make it tributary, but will make such redemptions easy and in nowise burdensome. The commercial importance of any place will force its own recognition; money can be drawn from it only for the payment of its debts. Trade flows in natural channels, and money goes with it; wherever trade centres, there money will accumulate sufficiently for its wants.

If money is arbitrarily concentrated contrary to this principle, it will flow back again, just as water will find its level. If the argument against redeeming in New York is based upon the preponderating importance of any other place as a centre of trade, it ceases to be an argument, as in the natural order of things the circulation issued by banks in that place will be worth more at home than at any other point, and will go home for the payment of balances rather than to New York for redemption; consequently there will be no hardship in the requirement. If the argument is not based upon that assumption, it is an argument for the other side of the question; for if it is a hardship to redeem in New York, the hardship is evidence of the necessity.

If all national banks are required to redeem their issues in New York, reciprocal obligations will be imposed upon the banks of that city. The balances kept in those banks will amount in the aggregate to a very large sum, and there will be competition between them for the accounts of the country banks. Such competition already exists, and has led to the dangerous practice of paying interest on deposits. This practice is condemned by all prudent bankers; but where one does it, others must do it or lose the accounts of good correspondents.

A bank that pays interest on current balances is obliged to keep its funds in constant use, or lose money. In order to do this, loans payable on call are made upon collateral security of more or less value; and there is so much competition for such loans that it has the effect to lower the standard of security required. Everything which causes extraordinary facilities in monetary transactions tends to produce excitement, overtrading, and speculation, sure to bring compensation sooner or later, if not checked, in pressure, distress, and disaster. Loans of this description are made chiefly to speculators, and that is reason enough why the practice should be regarded as unsafe. Conservative banks should not countenance or aid speculation; and New York city banks, made by law the custodians of the available means for redeeming the circulation of all the banks in the United States, should be the most conservative of all banks. They should not be allowed to jeopardize the funds of the country banks by loaning them for speculation, and they would not, if they were not obliged to pay interest on them. Stop the payment of interest, and the temptation to make improper use of such funds is removed.

The only way in which the evil in question can be reached, if it can be remedied at all, is by a law prohibiting every national bank from paying or receiving interest on bank balances, and the propriety of such a law is recommended to the consideration of Congress.

Concurrently with a practicable system of redemptions, a gradual reduction of the volume of legal-tender notes would operate beneficially upon the character of

the national currency, by checking its expansion beyond the necessities of business. If legal-tenders were reduced to such an extent that the amount in circulation should not exceed the sum required to perform the functions of lawful money as the substitute for specie, redemptions would be more stringent, and banks would be compelled to regulate their issues by the demands of trade.

A law enacted during the last session of Congress provides that the Secretary of the Treasury may diminish the volume of the United States notes in circulation, not to exceed four millions of dollars in any one month. Taking four hundred millions as the point from which the diminution commences, a regular reduction of four millions each month would leave at the expiration of two years three hundred millions of legal-tender notes in existence; or one dollar in lawful money for the redemption of each dollar of national currency authorized. This ratio would hardly render redemptions sufficiently stringent to produce much effect on bank circulation; but if this point could be reached by the expiration of one year, the effect would be more decided.

Four millions per month would be at the rate of one hundred and thirty-three thousand dollars per day; but if bankers should see the means for the redemption of their issues diminishing at the rate of two hundred and sixty thousand dollars per day, they would naturally and unavoidably curtail their circulation to the lowest point their business would permit, and the benefits arising from a practical system of redemptions would begin to be realized.

This proposition is based upon the presumption that it will be the policy of the government to withdraw all its notes issued for circulation as fast as it shall have the power to do so. The fact is not overlooked, however, that an opinion prevails to some extent adverse to this view of the case. It is frequently and strenuously urged that the government should keep its notes in circulation, and thus have the use of so much money without interest.

It is proposed very briefly to consider this question. United States notes originated in the necessities of the government, not in the necessities of trade and commerce. Their amount was regulated, not by the business necessities of the country, but by the necessities of a great emergency, and was only limited by reaching the maximum of expenditure during a time of war. The amount issued was entirely arbitrary so far as the business interests of the country were concerned, and altogether in excess of the demands of trade, as is evident by the high prices borne by every kind of commodity, and from the surplus of money subject to the control of speculators. This currency cannot contract or expand from natural causes. It was issued to save the country from bankruptcy during a protracted struggle with armed rebellion, and can only be contracted by legal enactment of Congress. There is no element about it in sympathy with the commercial and industrial interests of the country.

The power of issuing notes to circulate as money is too dangerous to be placed at the mercy of political parties in a government like ours, and is fraught with possibilities of corruption and disaster calculated to excite the gravest apprehension in the minds of prudent men. Having served the purpose for which it was called into existence, provision should be made for its withdrawal.

On the other hand, banks are in direct sympathy with trade, dependent upon it for their profits; they meet its wants by discounts and by furnishing a circulating medium; if currency is issued in excess of the demand, it is immediately returned for redemption, and contracts and expands as trade requires. In a word, banks are amenable to the laws of trade, while the government issues are not.

Furthermore, the banks have rendered important aid to the government throughout the war, and they have been largely instrumental in developing our national resources and in increasing our national wealth. The managers and stockholders comprise a large, useful, and public-spirited class in the community, numbering over two hundred thousand citizens. During the past year

they have loaned to the business of the country an average of six hundred millions of dollars. They now hold one-fourth of the entire indebtedness of the United States. They have redeemed and returned to the treasury of the United States over fourteen millions of mutilated legal-tenders, and have redeemed twenty-five millions of seven-thirty coupons, to the very great convenience of both the public and the Treasury Department. They have been instrumental in placing in the hands of the people more than eleven hundred millions of United States securities. They have received and disbursed from the revenues seventeen hundred and seventy-four millions of public moneys free of expense to the government.

The expense of transporting and concentrating for disbursement this immense sum by ordinary means, without the agency of national banks, would have been, at a moderate estimate, not less than three millions of dollars.

The net loss sustained by the government through the failure of two banks, which were depositories of public moneys, will probably not exceed six hundred thousand dollars, or about one-thirtieth of one per cent. of the total amount involved, and about one-fifth of the amount it would have cost the government to do the business without the aid of the banks.

From this statement it will be evident that national banks, although organized and managed by individuals for their own profit, are yet capable of rendering important services both to the government and to the public, and have demonstrated their entire willingness to perform such service; and that if losses have occurred to the government through their agency, the amount is small compared with the outlay that would have been necessary to carry on the business without them.

DISTRIBUTION OF THE CIRCULATION AUTHORIZED BY LAW.

The original act of March 25, 1863, provided for an apportionment of the national currency to the several States and Territories as follows: one hundred and fifty millions according to representative population, and one hundred and fifty millions according to banking capital, resources, and business.

This requirement was repealed by the act of June 3, 1864, which left the distribution to the discretion of the Comptroller of the Currency. By the amendment of March 3, 1865, the clause requiring an apportionment to be made was re-enacted, but at the same date an amendment to section 7 of the internal revenue act provided that all existing State banks should have the right to become national banks, and should have the preference over new organizations up to the 1st day of July, 1865.

These two amendments were not in harmony; for, if the apportionment was made as required by the amendment to section 21, the State banks then in existence could not have been converted without exceeding in many instances the amount of circulation apportioned to the different States. But, as it seemed to be the intention and policy of the act to absorb all existing banking institutions rather than to create new banking interests in addition thereto, the Comptroller of the Currency so construed the amendments as to permit the conversion of State banks without limitation. The effect of this action was to make a very unequal distribution of the currency, some of the States receiving more than they were entitled to by the apportionment, and leaving but a very limited amount to be awarded to the southern and some of the western States.

Now, as the government has assumed entire control of the currency of the country, involving a direct supervision of its banking interests, it becomes the duty of the government to provide adequate banking facilities to all sections. The States lately in rebellion, not being in a condition to avail themselves of the privileges granted in the national currency act at the time when they were offered, and when it was still possible to obtain them, are now left almost en-

tirely destitute of currency and banking facilities. This deficiency is the occasion of great inconvenience and loss to the people of those States, and it is very desirable, for many reasons, that it should be supplied.

First. It is important to all sections of the country, particularly to the northern States, that the south should be supplied with all the facilities necessary for the production of the great staples of that section, because the export of these staples would reduce the exportation of gold.

Second. Although, to a limited extent, means are supplied by capitalists from other sections for the productions of this region, yet the supply is not equal to the demand, and foreign capitalists are thus enabled to gain entire control over a very large proportion of valuable products, yielding large profits to themselves and leaving in the country barely the cost of the production. This state of things naturally causes much discontent and dissatisfaction among the producers.

Third. Prosperous industry is the most speedy and certain remedy for the existing evils in the southern States. It will allay bitterness of feeling, dissatisfaction with the results of the war, and promote contentment among the people. The assistance that could be rendered for the promotion of this end by local banking associations would be important both in character and extent. Besides, a community or identity of financial and pecuniary interests would bring into exercise an element of great power for the assimilation of the aims, purposes, and hopes of all the people of all the States. The extension of the national banking system throughout the entire Union would bring about such an identity of interest in the credit of the government, and of the entire system of banks, as would secure the active and zealous co-operation of all sections toward the preservation of such credit unimpaired.

Two methods have been suggested by which the southern States can be supplied with banking facilities. One is by an equalization of the circulation already authorized by law among the different States and Territories. To this plan there are two serious objections: First, the question arises as to the right of Congress to rescind any portion of the contract made with national banks at the time of their organization, by abrogating or restricting any of the rights secured by them in compliance with the law. It is true that Congress expressly reserved the right at any time to "amend, alter, or repeal" the national currency act. The act of February 25, 1863, under which quite a number of banks were organized, was repealed by the act of June 3, 1864. But the repealing act contained this saving clause: "Such repeal shall not affect any appointment made, acts done, or proceedings had, or the organization, acts, or proceedings of any association organized or in process of organization under the act aforesaid;" thus recognizing the principle that the repeal should not affect any rights secured under the former act.

It is not proposed to enter into any elaborate argument upon this question, but merely to suggest the doubts which may arise in connection with any legislation looking to an equalization of the national currency by withdrawing it from banks which have secured the right in strict conformity to law.

The second objection is this: that, granting the right of Congress to withdraw circulation, as above stated, the plan is impracticable as a measure of present relief, owing to the impossibility of securing the return of a sufficient amount of circulation within the necessary time. National currency notes, when once put in circulation, are scattered from the Atlantic coast to the Rocky mountains, and from the St. Lawrence to the Gulf. No one ever looks to see by what banks the notes are issued, and, there being no established system of redemptions, they are not and will not be returned to the bank of issue until they become so mutilated as to make them difficult to circulate.

The second plan suggested is, by an increase of the amount of circulation to be issued. This plan is met by the assertion that it would tend directly to a further inflation of the currency. But this objection may be obviated by proper

care in so adjusting the increase that it shall not at any time, or in any month, exceed the amount by which legal tender notes are diminished. If the proper mission of legal tenders were fully understood, and the necessity of placing our currency on a permanent basis—either of specie or legal tenders, which stand as the substitute for specie—were properly appreciated, there would be no difficulty in providing for the proper reduction of the volume of legal tenders so as to leave room for a very moderate increase of national currency, and yet secure a net reduction in the whole volume of the currency.

The well-known views of the Secretary of the Treasury on this subject, based upon the soundest principles of financial policy, only need to be seconded and carried out by Congress in order to make the plan suggested entirely safe and feasible.

Bearing in mind the regular monthly reduction of legal tenders at the rate of four millions per month, as provided for by law, an increase of national currency not to exceed twenty-five millions, to be issued at the rate of one or two millions per month, would probably meet all the wants of all the States for two years to come. As this seems to be the only practicable method for the accomplishment of what is generally admitted to be a desirable end, it is respectfully recommended to the favorable consideration of Congress. If, eventually, the amount of national currency thus increased appears to exceed the requirements of the country, the system of redemptions recommended will unerringly correct the evil, and ultimately bring about that equalization of national currency among the different States and Territories which cannot be effected by immediate and arbitrary measures.

AMENDMENTS.

There are many requirements and restrictions contained in the national currency act, a strict compliance with which is essential to the safety and success of the system. The Comptroller of the Currency is expected to see that all the provisions of the law are enforced, but in a majority of instances is left without the power to compel obedience in case of persistent neglect or wilful disregard of the law on the part of the banks. To remedy this defect certain amendments are suggested:

1st. An amendment to section 18 authorizing the appointment of a receiver, whenever satisfactory evidence is furnished that any association is not carrying on the proper business of banking; that any of its reports required by law have been false or fraudulent; that its funds have been wilfully misapplied by the officers or directors in violation of law, or that it has committed any act of insolvency.

2d. An amendment to section 29, extending the provisions contained therein, so that the limitation to one-tenth of the capital shall apply to all liabilities for money loaned or deposited, except balances due from one national banking association to another. Large amounts are frequently placed in the hands of private bankers, ostensibly in the regular course of business, but really, in a majority of instances, because private bankers, not being restricted in their operations by law, are able to offer greater inducements for the use of money; or, as is not unfrequently the case, private bankers having secured a controlling interest in a bank divert its funds from legitimate banking and use them in speculation, &c. Every national bank that has failed may trace its ruin to excessive deposits with private bankers and brokers, and there is urgent necessity for such an amendment to section 29 as will prohibit this practice.

3d. An amendment to section 34 doing away with quarterly statements, and requiring monthly statements showing the condition of each bank in detail. The present monthly statements are much too vague and general to be of practical benefit, while the quarterly reports now required, coming at comparatively long

intervals and upon certain specified days, enable banks to prepare for a good exhibit upon those particular days. If detailed reports were required monthly the preparation on the part of the banks to make a good showing would be almost constant, and the Comptroller of the Currency would be enabled to exercise much greater vigilance in carrying out the provisions of the law.

Provision should also be made for the collection of penalties imposed for delinquencies in making reports, and for the disposition to be made of the funds arising from such penalties when collected.

4th. An amendment to section 38, providing that where the capital stock of an association has become impaired by losses or otherwise, it shall be the duty of the directors to reduce the nominal capital and the circulation of the bank in such an amount as may be rendered necessary, so as to represent the actual capital of the association, as provided in section 13 of the act, or, upon a vote of the stockholders owning two-thirds of the capital stock of the bank, to make a *pro rata* assessment upon the stockholders for an amount sufficient to make up the loss sustained; and in case of failure to do one or the other within thirty days after the amount of the loss is ascertained, the Comptroller of the Currency may appoint a receiver to wind up the affairs of the bank.

5th. An amendment to section 59, making it a penal offence for any person to have in his possession with intent to pass or utter any false, forged, or counterfeit national bank note, and requiring every national banking association to cause every counterfeit note that may be presented at its counter to be stamped with the word "counterfeit."

The forms for these amendments, and for such changes in the law as may be necessary to provide for redemptions in New York city, or in the cities of New York, Boston, and Philadelphia, as may be deemed most expedient, and to provide for the issue of circulating notes to banks that may be organized in States unsupplied with banking facilities, are not reported; but the views expressed upon those points are submitted for such action as may be judged best adapted to secure the ends proposed.

In conclusion, I have only to state that the national banking system is now fully inaugurated and in successful operation. The first bank was organized in June, 1863. There are now in active operation sixteen hundred and forty-seven, with an aggregate paid-in capital of four hundred and eighteen millions, which is owned by two hundred thousand stockholders. The system has the confidence of the people, because it furnishes a circulation secured beyond any contingency, and is popular because it furnishes a currency of uniform value in all parts of the country. It has superseded all existing State banking systems, and places the entire control of the currency of the country in the hands of the federal government. It has proved, during its three years of existence, a most important auxiliary in the financial operations of the Treasury Department.

A system that has grown into such magnitude in so brief a time, involving interests so vast and so vital to every portion of the community, demands a careful consideration and deliberate action. It may not be perfect, for it was devised by men, but it embraces all the best provisions and safeguards of the banking systems of the several States, and experience and careful study have developed but few defects.

H. R. HULBURD,
Deputy and Acting Comptroller of the Currency.

Hon. HUGH McCULLOCH,
Secretary of the Treasury.

REPORT

OF THE

COMPTROLLER OF THE CURRENCY.

OFFICE OF THE COMPTROLLER OF THE CURRENCY,
Washington, November 4, 1867.

SIR: In compliance with the provisions of section 61 of the national currency act, I have the honor to present, through you, to the Congress of the United States the following report:

Since the last annual report, nine national banks have been organized, of which six are new associations, and three were organized to take the place of existing State banks, making the total number organized up to October, one thousand six hundred and seventy-three.

The following table will exhibit the number of banks, with the amount of capital and circulation, in each State and Territory:

States and Territories.	Organization.			Capital paid in.	Bonds on deposit.	Circulation issued.	In actual circulation.
	Organized.	Closing or closed.	In operation.				
Maine	61	.....	61	$9, 085, 000 00	$8, 407, 250 00	$7, 519, 386 00	$7, 511, 286 00
New Hampshire	39	.....	39	4, 735, 000 00	4, 772, 000 00	4, 223, 355 00	4, 214, 155 00
Vermont	40	.....	40	6, 510, 012 50	6, 474, 000 00	5, 722, 780 00	5, 710, 480 00
Massachusetts	208	2	206	79, 932, 000 00	64, 450, 900 00	57, 429, 205 00	56, 961, 665 00
Rhode Island	62	.....	62	20, 364, 800 00	14, 185, 600 00	12, 508, 670 00	12, 470, 220 00
Connecticut	83	1	82	24, 584, 220 00	19, 740, 000 00	17, 556, 585 00	17, 432, 823 00
New York	314	8	306	116, 494, 941 00	79, 516, 050 00	72, 558, 865 00	69, 209, 277 00
New Jersey	54	.....	54	11, 333, 350 00	10, 432, 400 00	9, 159, 165 00	9, 134, 965 00
Pennsylvania	203	5	198	50, 277, 990 00	44, 244, 250 00	39, 359, 070 00	38, 839, 030 00
Maryland	32	.....	32	12, 590, 202 50	10, 065, 750 00	8, 959, 600 00	8, 894, 900 00
Delaware	11	.....	11	1, 428, 185 00	1, 348, 200 00	1, 205, 025 00	1, 198, 825 00
District of Columbia	6	2	4	1, 550, 000 00	1, 442, 000 00	1, 276, 500 00	1, 266, 000 00
Virginia	20	1	19	2, 500, 000 00	2, 435, 800 00	2, 149, 980 00	2, 146, 680 00
West Virginia	15	.....	15	2, 216, 400 00	2, 243, 250 00	1, 994, 750 00	1, 988, 550 00
Ohio	137	2	135	22, 404, 700 00	20, 773, 900 00	18, 454, 280 00	18, 405, 920 00
Indiana	71	2	69	12, 867, 000 00	12, 524, 350 00	11, 042, 240 00	11, 015, 040 00
Illinois	82	.....	82	11, 620, 000 00	10, 852, 250 00	9, 544, 710 00	9, 521, 810 00
Michigan	43	1	42	5, 070, 010 00	4, 357, 700 00	3, 825, 125 00	3, 822, 425 00
Wisconsin	37	1	36	2, 935, 000 00	2, 893, 250 00	2, 564, 550 00	2, 559, 050 00
Iowa	47	2	45	3, 992, 000 00	3, 709, 150 00	3, 237, 705 00	3, 230, 090 00
Minnesota	15	1	14	1, 660, 000 00	1, 682, 200 00	1, 486, 000 00	1, 477, 500 00
Kansas	5	.....	5	400, 000 00	382, 000 00	315, 500 00	314, 000 00
Missouri	19	2	17	7, 559, 300 00	4, 074, 100 00	3, 549, 290 00	3, 437, 620 00
Kentucky	15	.....	15	2, 885, 000 00	2, 660, 000 00	2, 345, 970 00	2, 342, 020 00
Tennessee	13	1	12	2, 100, 000 00	1, 536, 550 00	1, 233, 040 00	1, 232, 040 00
Louisiana	3	1	2	1, 800, 000 00	1, 408, 000 00	1, 245, 000 00	1, 245, 000 00
Mississippi	2	.....	2	150, 000 00	75, 000 00	66, 000 00	66, 000 00
Nebraska	3	.....	3	250, 000 00	190, 000 00	170, 000 00	170, 000 00
Colorado	3	.....	3	350, 000 00	297, 000 00	254, 000 00	254, 000 00
Georgia	9	1	8	1, 700, 000 00	1, 383, 500 00	1, 224, 000 00	1, 224, 000 00
North Carolina	5	.....	5	583, 300 00	346, 000 00	280, 600 00	280, 600 00
South Carolina	2	.....	2	585, 000 00	170, 000 00	153, 000 00	153, 000 00
Alabama	3	1	2	500, 000 00	410, 500 00	353, 025 00	353, 025 00
Nevada	1	.....	1	155, 000 00	155, 000 00	131, 700 00	131, 700 00
Oregon	1	.....	1	100, 000 00	100, 000 00	88, 500 00	88, 500 00
Texas	4	.....	4	576, 450 00	472, 100 00	407, 400 00	407, 400 00
Arkansas	2	.....	2	200, 000 00	200, 000 00	179, 500 00	179, 500 00
Utah	1	.....	1	150, 000 00	150, 000 00	135, 000 00	135, 000 00
Montana	1	.....	1	100, 000 00	40, 000 00	36, 000 00	36, 000 00
Idaho	1	.....	1	100, 000 00	75, 000 00	43, 900 00	43, 900 00
Total	1, 673	34	1, 639	424, 394, 861 00	340, 675, 000 00	303, 988, 971 00	299, 103, 996 00

From the number of banks organized, heretofore stated to be sixteen hundred and seventy-three, should be deducted thirty-four, leaving the number in active operation sixteen hundred and thirty-nine.

The banks to be excluded are the following:

NEVER COMPLETED THEIR ORGANIZATION.

The First National Bank of Lansing, Michigan.
The First National Bank of Penn Yan, New York.
The Second National Bank of Canton, Ohio.
The Second National Bank of Ottumwa, Iowa.

SUPERSEDED BY SUBSEQUENT ORGANIZATIONS WITH THE SAME TITLES.

The First National Bank of Norwich, Connecticut.
The First National Bank of Utica, New York.

IN THE HANDS OF RECEIVERS.

*The First National Bank of Attica, New York.
The Venango National Bank of Franklin, Pennsylvania.
The Merchants' National Bank of Washington, District of Columbia.

Since October 1, 1866:

The First National Bank of Medina, New York.
The Tennessee National Bank of Memphis, Tennessee.
The First National Bank of Newton, Massachusetts.
The First National Bank of Selma, Alabama.
The First National Bank of New Orleans, Louisiana.
The National Unadilla Bank of Unadilla, New York.
The Farmers' and Citizens' National Bank of Brooklyn, New York.

IN VOLUNTARY LIQUIDATION.

Closed and closing under the provisions of section 42 *of the act of June* 3, 1864.

The First National Bank of Columbia, Missouri.
The First National Bank of Carondolet, Missouri.
The First National Bank of Leonardsville, New York.
The National Union Bank of Rochester, New York.

Since October 1, 1866:

The First National Bank of Elkhart, Indiana,
The First National Bank of New Ulm, Minnesota.
The Farmers' National Bank of Richmond, Virginia.
The National Bank of the Metropolis, Washington, District of Columbia.
The Farmers' National Bank of Waukesha, Wisconsin.
The National Bank of Crawford County, Meadville, Pennsylvania.
The City National Bank of Savannah, Georgia.

Closed for the purpose of consolidation with other banks.

The Pittston National Bank of Pittston, Pennsylvania, consolidated with the First National Bank of Pittston, Pennsylvania.

The Berkshire National Bank of Adams, Massachusetts, consolidated with the First National Bank of Adams, Massachusetts.

The Fourth National Bank of Indianapolis, Indiana, consolidated with the Citizens' National Bank of Indianapolis, Indiana.

Since October 1, 1866:

The Kittanning National Bank of Kittanning, Pennsylvania, consolidated with the First National Bank of Kittanning, Pennsylvania.

* The First National Bank of Attica is now closed, its circulation paid in full, with a dividend to creditors of sixty cents on the dollar.

The First National Bank of Providence, Pennsylvania, consolidated with the Second National Bank of Scranton, Pennsylvania.

The National State Bank of Dubuque, Iowa, consolidated with the First National Bank of Dubuque, Iowa.

The Ohio National Bank of Cincinnati, Ohio, consolidated with the Merchants' National Bank of Cincinnati, Ohio.

The following tabular statements are appended to this report:

1. Showing the national banks in voluntary liquidation for the purpose of consolidating with other national banks, their capital, amount of United States bonds deposited to secure circulation, amount of circulation delivered, the amount redeemed and returned for destruction, and the amount outstanding on the first day of October, 1867.

2. Showing the national banks in voluntary liquidation, their capital, amount of United States bonds deposited to secure circulation, amount of circulation delivered, amount redeemed and returned for destruction, and the amount outstanding on the first day of October, 1867.

3. Showing the national banks in the hands of receivers, their capital, amount of United States bonds deposited to secure circulation, their circulation, the amount of circulation redeemed at the treasury of the United States, and the amount outstanding on the first day of October, 1867.

4. Showing the total expenses for the fiscal year ending June 30, 1867.

5. Showing the names and compensation of the clerks and employés of the bureau.

6. An abstract, by States, of the quarterly returns made to this office for the quarters ending January 7, April 1, July 1, and October 7, 1867.

7. A detailed statement of the condition of each bank at the close of the last quarter.

It is an unpleasant task, but nevertheless the performance of a duty, to submit the following statement relative to the abstraction, at various times, of unfinished national bank notes:

In the summer of 1864 it was ascertained that packages of notes forwarded to certain western banks were each found to be short of the required amount by one impression, (a sheet containing four notes.) This happened at intervals for several months. Then, for nearly a year, no losses occurred. But in the fall of 1865, impressions began to be missed from the packages of notes in the counting room of the office; and in December a package containing $4,500 in fifty and one hundred dollar notes of the National City Bank of Lynn, Massachusetts, was missed. From this time there was a cessation in the thefts, until about the first of May last, when a package containing $12,000 in fifties and hundreds of the First National Bank of Jersey City, New Jersey, was stolen.

At each of the periods when these frauds took place, investigations were instituted and diligent efforts were made to discover the perpetrator, but without success. The last robbery was discovered almost immediately upon its taking place, and vigorous measures were at once taken to detect and bring the guilty party to justice. There is reason to believe the effort was not unsuccessful, as a man who had been employed in the counting room from the time of its first organization, in a confidential capacity, was arrested, and upon examination before the proper authorities, held under bonds until the next session of the grand jury of the District. As this has not yet taken place, the case is still pending; it is therefore not deemed expedient to enter more into details at present, as the whole matter is in a fair way to be investigated by the Criminal Court.

A full and correct list of the stolen impressions is appended to this report.

BANK FAILURES.

Since the organization of the first national bank, which occurred June 20, 1863, up to October 1, 1867, a period of four years and three months, ten national banking associations have failed

Their aggregate capital is	$1, 870, 000 00

Their aggregate liabilities to the public, are—	
Circulation	$1, 187, 900 00
*Deposits and other liabilities *to the public*	3, 372, 200 00
Total	4, 560, 100 00

The circulation will be paid in full, so that the public will suffer no loss from that source, and the bonds deposited as security for the same would to-day realize a surplus of some $250,000 that could be applied to the payment of general creditors. A careful estimate of the assets leads to the conclusion that they will realize a sum sufficient to pay seventy per cent. to creditors, leaving the total ultimate loss sustained by the public through their failure, about $1,000,000.†

The national banks are not exempt from the disasters which are common to all banking institutions and business corporations. No system of banking, however perfect, can protect the stockholders or the depositors from sudden loss; neither can the most stringent legislation, nor the greatest degree of watchfulness and care on the part of this office, prevent violations of law and neglect of the fundamental principles of good banking.

The failures of national banks which have thus far occurred, may in every instance be directly traced to the dishonesty or incompetency of bank officials, and the habitual violation of the plainest provisions of the law under which they were organized. In some cases old State banks, with capital impaired by bad debts, have been re-organized as national banks, without sufficient scrutiny into their affairs, and such failures must be attributed to the old, rather than the new, system. The officers of these banks are prejudiced in favor of the State system of banking, and are not yet accustomed to the more stringent provisions of the national currency act. Such institutions will be liable to failure until their capital is restored by assessments, or they are forced into voluntary liquidation.

Yet, notwithstanding these things, if the failure of ten banks among the sixteen hundred and seventy-three national banks of the Union during the past four years had been three times greater, they would still in the aggregate not equal in magnitude the recent failure of the Royal Bank at Liverpool, or the Commercial Bank of Canada, institutions which were supposed to be conducted upon the most approved system of English banking.

QUARTERLY REPORTS.

Under existing provisions of law, banks are required to make a detailed statement of their affairs at the beginning of each quarter; and a statement showing the average of circulation, deposits, lawful money, and balances available for the redemption of their circulating notes, at the beginning of each month. This monthly statement is too vague and general to give any correct or reliable information as to the actual condition of the banks. A full and detailed report monthly would be of great value to the public, and would afford more constant

*Government deposits are not included in this item. The only loss to the government will result from the failure of the Merchants' National Bank of Washington, which has been investigated by a congressional committee.

† This estimate does not include amounts which may be recovered from stockholders on their personal liability.

insight into, and familiarity with, the management and condition of the banks, for the guidance of the Comptroller, than he can possibly obtain under the present system of quarterly reports.

It is known, understood, and anticipated, by all who have dealings with the banks, that they are in the habit of preparing systematically for making creditable exhibits on quarter day. It is certainly a point gained to know that the banks can make a good showing at least once every quarter; but it would be more satisfactory to know that they could do so at all times.

As an approximate to this, it is recommended that in lieu of the present quarterly reports and meagre monthly statements, a full exhibit of the affairs of each bank shall be required on the first Monday of each month.

REDEMPTIONS.

It is important to establish, as early as practicable, a system of redemptions which shall be comprehensive and thorough. The circulating notes of national banks are uniform in design and appearance, and are equally well secured by the pledge of United States bonds. Their ultimate redemption is established beyond a question. It only remains to make them convertible. This can be done only by making them redeemable at a common centre, which should be the centre of trade.

When this is accomplished, the amount of notes in circulation will be regulated strictly by the demand. When the volume shall be greater than is necessary to do the business of the country, the banks will be called upon to redeem the surplus, and it will be retired. When trade is active, and more currency is required, the banks will expand their issues, and redemptions will not be demanded until the season of activity is over. If all the banks are required to conform to a uniform standard of responsibility in this particular, the burden, being equally divided among all in proportion to their circulation, will be light, because the aggregate redemption at any given time will not exceed the surplus of notes in circulation; while, if such a rule is not established, the burden will be unequally divided, falling most heavily on those banks which conform to the highest standard, compelling them by the frequent return of their notes, to contract their issues, while at the same time the remote banks will be tempted to undue expansion by the difficulty and expense of returning their notes for redemption. In this, as in all other cases, the inferior currency will be the more abundant.

Rigid, unfailing convertibility is the only safe rule, and, in the end, the most economical. It is an obligation which every national bank owes to the system, to contribute its due share to the maintenance of a circulation of uniform value. This it can do only by keeping its own issues at par in the great centres of trade. Any plan which is not comprehensive, thorough, and rigid, will fail. Any half-way, doubtful, voluntary arrangement will not answer the purpose. The government, which authorizes the issue of bank notes for currency, has a right to require all banks to conform to the highest standard. The currency of a country belongs to the people; and the government, which represents the people, should see to it that the people have the very best currency possible.

At present there is no immediate demand for the redemption of national bank notes; but it would be one of the healthiest evidences of returning soundness in our financial affairs, if it should be inaugurated. If legal tenders should command a small premium, it would begin. It would be the first step towards specie payments, to see a bank note accepted and treated as a promise to pay, and not the payment itself. It would mark an era in legal tender notes—the date of their appreciation in value. At the same time it would be a healthy reminder to the banks that their circulation is a liability payable on demand.

INTEREST ON BANK BALANCES.

Attention is respectfully called to a practice prevailing more or less in the banks of the principal cities, of paying interest on the balances of country banks—a practice characterized by the Chancellor of the Exchequer of England in commenting upon the causes which led to the crisis of 1857, as "one eminently liable to abuse, and containing within it elements of danger, and to which many of the evils of the recent crisis may be attributed."

Country banks keep deposits with city banks for the purpose of facilitating exchanges in carrying on their own business; and ordinarily it is to be presumed they find a profit in doing such business, and in keeping a working balance in the city banks. The funds so placed are needed, and properly belong there, but will not be allowed to exceed the amount actually necessary for the current demands of business. The payment of high rates of interest on such balances attracts all the spare capital from the country to the commercial centres, while it is still payable on call. This capital would not remain dead or unemployed, but it is drawn away from the country where it is needed, to the business centres where the rate of interest is higher. The cities then come into competition with the country, and compel borrowers in the country to pay higher rates.

M. Periere, president of the *Credit Mobilier* of France, says that "Banks have been instituted only to lower the rate of interest, and they fail in their mission when they do not fulfil that character." But this is one of the minor evils of the practice.

The city banks, by the payment of interest, offer a premium for deposits, the volume of which should be regulated only by the ebb and flow of trade. An artificial stimulant is applied in order to accumulate funds in excess of the natural demand. So long as the country banks can employ their means more profitably at home, they will do so; but when their own trade is dull, they will send their money to the business centres; and it so happens that the city banks will secure the greatest abundance of means exactly at the time when they have the least use for them. But as they pay interest for such deposits, they must be used; the city banker becomes a broker, a seeker after investments; he must get more interest than he pays, or he will lose money; he must loan it on call, for it is payable on demand, and it will always be demanded when he wants it most. Deposits are the reserve of the country, and the deposits of the country banks at the centres of trade are their reserves for all demand liabilities. Required by law to keep a reserve equal to fifteen per cent. of their deposits and circulation, three-fifths of this reserve may consist of balances due from the city banks. Forbidden to use their reserve in their own business, they remit it to New York, where it is not held in reserve, but is loaned to stock-brokers and speculators. Receiving interest on the amount under the name of a deposit, they really loan it on call to the city banks, which in their turn loan it at a higher rate of interest.

A bank may know the character of its individual deposits, and may be able to judge with some degree of accuracy of the extent to which it would be safe to use them; but of the deposits of another bank and of the causes that may create a demand by its customers, no reliable estimate can be formed, further than that such deposits reach their *maximum* at the dullest season of the year, and their *minimum* at the season of the greatest activity in business. Bank balances are working balances, not surplus capital seeking investment. They ought not greatly to exceed the amount necessary for the convenient transaction of business. The city banks are equally interested with the country banks in preserving healthy and natural relations between the centres of trade and their tributaries. Any influence that interferes with such relations cannot be beneficial; and the allowance of interest is an unnecessary interference, the termination of which would promote the interests of both parties to the arrangement,

and secure greater safety to the public, whose reserve funds are at stake under the practice alluded to.

It is therefore suggested that funds required by law to be held in reserve for the protection of bill-holders and depositors should not be deposited in city banks under conditions that involve their constant employment and consequent risk.

TAXATION.

It has come to be a recognized principle in all legislation on the subject of revenue, that all taxes imposed upon the manufacture of any article, are ultimately paid by the consumer. A tax upon any business is paid by the customer. It is so with banks. While they should bear their full and fair share of the burden of taxation, there is a point beyond which taxation becomes oppressive—greater than the profits of legitimate business will justify. Under the impression that they are realizing inordinate profits, there is a disposition to tax them in proportion to their supposed gains.

The federal taxation amounts to an average of about two or two and a half per cent. upon the capital employed; while by an express provision in the act of Congress, the shares are taxable by State authority. This is done upon the par value of the shares, at rates ranging from two to five per cent., which, added to the federal taxes, makes a total tax of from four to seven per cent. upon the capital of national banks.

Heretofore, the high premium upon the gold received in payment of interest on their bonds, together with large deposits growing out of the abundance of paper money, has enabled them to pay this tax without reducing their dividends below the point of a fair interest on the capital invested. But it is becoming more and more difficult for the banks to pay their taxes and their expenses without reducing their profits below the amount that would be realized upon an investment in government securities.

The natural effect of this excessive taxation will be an incentive to charge higher rates of interest in loaning their money; and in the end, the business community will pay the tax in the shape of usury. There is a very general and commendable disposition on the part of national banks to assume their fair share of necessary taxation. They do not ask to be relieved from that, nor that any exception should be made in their favor. But the fact is becoming evident in several of the States, that the tax imposed is in excess of their ability to pay consistently with legitimate profits to their stockholders.

THE CURRENCY QUESTION.

This subject is before the public upon two propositions:

First. To deprive the national banks of the right to issue notes for circulation in order that the government may issue its own notes in their place.

Second. To issue United States notes in payment of compound interest notes, seven-thirty notes, and five-twenty bonds, as they mature and become payable.

The advocates of the last mentioned scheme, regard the first proposition as the preliminary step to the accomplishment of their own purposes, and therefore unite in its support.

Regarding the suggestion contained in the proposition first stated, therefore, as likely to be the first demand of all parties who are dissatisfied with the present *status* of the currency, it will be necessary to examine the grounds upon which the demand is based.

In pursuing this investigation, it may be necessary to touch upon questions seeming to trench upon the wider fields of general finance. But this will only be done incidentally, and no further than may be essential to an intelligent understanding of the currency question, which is a legitimate subject of inquiry and consideration in this report.

To state the first proposition fairly, it proposes to withdraw the circulation of national banks in order that the government may occupy the whole field. The

three hundred millions of bank notes are to be replaced by three hundred millions of United States notes.

The three hundred millions of United States notes are to be used for the purchase of United States bonds, which are to be canceled; and thus, non-interest-bearing notes are to be substituted for interest-bearing bonds, whereby a saving is to be effected of the amount of interest that would otherwise be paid upon the bonds so canceled.

It is claimed that, by the payment of interest on the bonds deposited by national banks with the Treasurer of the United States as security for their circulating notes, the government pays to the banks a *bonus* for issuing three hundred millions of currency, which it might have without the *bonus*, by issuing its own notes.

This is a plausible proposition. Many of its advocates are honest in the belief that, by acting upon this theory, the government would actually save eighteen millions per annum, and they are entitled to a fair hearing.

The national banks are authorized to issue three hundred millions of currency. The same amount of legal tenders substituted for this currency would purchase $277,800,000 United States bonds at 108, which is less than the present market price. The interest on these bonds, at six per cent., would be $16,668,000.

If the bonds could be purchased at 105, the legal tenders would buy $285,700,000, the interest upon which would be $17,142,000.

If the bonds could be bought at par, there would be $300,000,000, upon which the interest would be $18,000,000.

The national banks, however, for the year 1866, actually paid over $16,000,000 in taxes, as follows:

To the federal government	$8, 069, 938
To the States	7, 949, 451
Total	16, 019, 389

It may not be improper here to state that, of the taxes paid by the banks, the amount received by the federal government is furnished by the books of the Treasurer and Commissioner of Internal Revenue. The amount paid to the several States is derived from specific returns of about fourteen hundred banks, the *minimum* rate in each State being calculated for those banks which made no returns. The aggregate State tax given is believed to be considerably below the actual amount paid.

As the revenues of the general government are derived from taxation, the return of any sum by the banks to the State governments, in the way of taxes, is substantially a return to the people who pay federal taxes, and is properly credited to the banks in any statement of account between them and the government.

If the bonds purchased by this new issue of legal tenders cost 108, the interest on such bonds would be	$16, 668, 000
Deduct taxes paid by the banks	16, 019, 389
Amount saved	648, 611

If the bonds cost 105, the amount saved would be $1,122,611.

If the bonds could be bought at par, the amount saved would be $2,000,000.

United States six per cent. bonds are now worth in the market from eight to ten per cent. premium; but the probabilities are that if this measure should be adopted as the policy of the government, the bonds could be bought at par. It may be assumed, then, that the saving would be equal to the *maximum* stated, viz., $2,000,000. This is the sum total to be saved, under the aspect of the case most favorable to the advocates of the proposed change.

But this is not all. The national banks are compelled by law to hold constantly in reserve a certain percentage of their circulation and deposits in United States legal tender notes. The amount thus held permanently in reserve is never less than one hundred and fifty millions, (generally about $180,000,000) and is a gratuitous loan to the government. The banks get no interest on it. It is so much of their capital unproductive, invested in non-interest-bearing notes of the government.

The case may now be stated thus:

The banks have loaned to the government as follows:

For bonds deposited to secure their circulation, bearing six per cent. interest	$250, 000, 000
Bearing five per cent. interest	90, 000, 000
Permanent reserve of legal tenders	150, 000, 000
Total loan to the United States	490, 000, 000

For which they receive—

Six per cent. interest on $250,000,000	$15, 000, 000
Five per cent. interest on $90,000,000	4, 500, 000
Total	19, 500, 000
But they refund in taxes	16, 000, 000
Leaving	3, 500, 000

which the government pays the banks for a loan of $490,000,000—a little less than three-fourths of one per cent.

But there is still another aspect of this case:

The banks are held rigidly accountable for the interest they receive on money honestly loaned to the government when it needed money, and they claim credit for the money loaned to the government without interest. They hold these one hundred and fifty millions in obedience to the mandates of the law, while money is worth to them six per cent. They therefore give the government the use of the money; that is to say—

Six per cent. on $150,000,000 non-interest-bearing United States notes held permanently in reserve	$9, 000, 000
They repay in the shape of taxes	16, 000, 000
Total	25, 000, 000
They receive interest from the government	19, 500, 000
Leaving	5, 500, 000

which the banks actually pay as a *bonus* to the government for the privilege of circulating their own notes.

The fact should not be overlooked, in this connection, that the banks have deposited $340,000,000 with the Treasurer as security for their issues. Now, the United States could not possibly buy over three hundred millions of these bonds without an actual addition of thirty or forty millions of greenbacks to the amount it is proposed to issue in lieu of three hundred millions of national bank notes. The result would be, either that the government would fail to save $2,400,000 interest on forty millions of its bonds which it could not purchase, or it would have to try the dangerous and unnecessary experiment of again inflating the currency.

The ninety millions of five per cent. bonds might be bought at par..	$90, 000, 000
Suppose the six per cent. bonds could be bought in at 106, (though they are now selling much higher,) $250,000,000 at 106	265, 000, 000
It would take	355, 000, 000

to buy the bonds now held by the banks. Here is a direct inflation of over $50,000,000.

But the inflation would not stop here. The withdrawal of circulation from the banks would cause nine out of ten to wind up, not because the privilege of circulation is absolutely essential in order to do a banking business, but because banking associations would not submit to the restrictions and limitations imposed by the act of Congress without the compensatory privilege of circulation. They would either reorganize under State laws, and thus get rid of federal control, or they would do business as private bankers. In either event, the entire amount of legal tenders now held in reserve would speedily be released and added to the volume of paper afloat, which, with the fifty millions stated above, would make an actual addition of nearly two hundred millions to the active paper circulation of the country.

The effect of this it would not be difficult to foretell, but it may be more appropriately considered hereafter.

At this point it will not be out of place to consider some of the consequences that would be likely to result from the general closing of the banks of the country.

That they would wind up may be regarded as a certainty, and the first step would be in the way of contraction. Discounts would be suspended, accommodations would cease, and merchants, manufacturers, and other business men would be deprived of their accustomed facilities. The banks have over five hundred millions invested in the active business of the country. The withdrawal of a comparatively small portion of active capital from the channels of trade is always sensibly felt. In this case the temporary withdrawal of capital would be upon a large scale. While the assets of the banks were being converted into cash in order to be returned to the stockholders, business of every kind would be unsettled, trade would suffer, and incalculable injury would be done. A revolution of this kind could not be effected without serious damage to the country. There is no doubt that the demand for banking facilities would sooner or later be supplied; but during the period of transition these facilities would be suspended, and before capital could re-adjust itself to the new basis there would be a great stringency. There is no disposition to exaggerate the effect that would be thus produced; but it is one of the probable results of the proposed change which it would be prudent to consider, and one concerning which, bankers and business men would be able to furnish valuable information.

The suggestions offered thus far are designed to meet the popular arguments advanced in favor of a circulation composed entirely of government notes, upon the score of economy. The sole claim advanced is the saving of interest on the bonds deposited by the banks as security for their issues. This has been shown to be an assumption not sustained by the facts:

First. Upon the merely technical ground of amounts paid and received by the banks, the figures show that but two millions will be saved to the government.

Second. Taking these figures into account, it has been established that the banks loan the federal government $490,000,000 at less than three-fourths of one per cent. per annum; and

Third. Allowing that money is worth to the banks six *per centum per annum*, it is demonstrated that the interest on $150,000,000 of legal tenders is annually given to the government, which, added to the taxes paid, swells the total amount

paid by the banks to the government to $25,000,000—an excess of $5,500,000 over the interest received by them, which is a *bonus* they pay for their circulation.

There are, however, other, and in a financial point of view, more weighty considerations to be urged against a paper currency furnished exclusively by the government:

Such a currency possesses no inherent qualities which adapt it to the wants of trade. It does not contract during seasons of inactivity, nor expand to meet the demands of active business.

Whatever may be said to the contrary, the fact stands unchallenged that the government can issue its notes only in payment of its debts, and that there is no possible relation between the amount that may be required and which may be issued for that purpose, and the amount of currency required to do the business of the country. The amount required by the expenditures of the government may be more than trade requires; but trade cannot enforce a contraction, and must adjust itself to the redundancy by marking up prices; or, the amount furnished by the government may be insufficient for the wants of trade; but trade cannot command a further supply. There is no relation, no sympathy, between the source of supply and the business of the country. It is an iron currency, in its utter want of that elasticity so essential in a circulating medium. This has been abundantly proved by the experience of the last five years.

So far has the legal-tender currency been from performing the equable and harmonious functions of money, in its relations to trade and industry, that it has been the great disturbing element. By it all relative values have been unsettled, trade interrupted, and industry disorganized to such an extent that the whole foreign and domestic trade has been compelled to adjust itself, over and over again, to the altered condition of the currency. Nothing has been permanent. Violent fluctuations have characterized the market for every commodity, and speculation has usurped the place of regular and legitimate traffic.

During the last year matters had begun to seek a more stable basis, and soon the elasticity of the bank circulation would exert a most wholesome influence by contracting and expanding as the seasons of inactivity and demand should vary. This result would be brought about by enforcing the redemption of national bank notes when the currency was in excess of the demand, and by drawing it again into circulation when it should be needed to move the crops, or for any other legitimate purpose.

At this most inopportune moment it is proposed to deprive the country of this valuable element of the paper currency.

As stated at the outset of this discussion, there is a second proposition before the public which goes further and makes more radical changes than the one that has been under consideration. The proposition referred to contemplates the payment of compound interest notes, seven-thirty notes, and five-twenty bonds, as they mature, by new issues of non-interest-bearing legal-tender notes. It is hoped that the advocates of this policy are not very numerous. The fact that it is seriously considered by any class of the community is recognized with reluctance; but it cannot be ignored.

As a preliminary step, they demand the substitution of legal-tenders for the issues of national banks, and avail themselves of the assistance and the arguments of those who honestly believe that measure to be one of economy—regarding its accomplishment as the removal of one obstacle in the way of their scheme of inflation. This question involves principles and results of the most serious moment—reaching far into the future, and affecting the whole financial policy of the government. Its importance demands careful consideration.

The first point of inquiry suggested is as to the origin, character and purpose of United States legal-tender notes—to fully understand which, it will be necessary to go back to the debates in Congress, when the bill authorizing their issue was under consideration.

The original bill providing for the issue of legal-tender notes was introduced by Hon. E. G. SPAULDING, of New York, in January, 1862, who said that he offered it as a "war measure—a measure of necessity, and not of choice, * * * to meet the most pressing demands upon the treasury—to sustain the army and navy. * * * These are extraordinary times, and extraordinary measures must be resorted to in order to save our government and preserve our nationality."

Mr. HOOPER, of Massachusetts, said: "The unusual exigencies of the country require that we should look for other and deeper sources of revenue than any to which we have heretofore been accustomed. We are contending for maintenance of the government, the preservation of the Union, and for the enforcement of the laws."

Mr. ALLEY, of Massachusetts, said: "Beneficent as this measure is, as one of relief, nothing could induce me to give it sanction but uncontrollable necessity. * * * There can be no more issues than the real necessities of the government require. The government cannot make issues, like the banks, for profit. * * * Its issues must necessarily be limited to its absolute wants."

Mr. PIKE, of Maine, said: "Nor need we fear that what we do will be used as a dangerous precedent; for the circumstances which form our justification must be duplicated before our action can be taken as an example for others. * * * The bill purports to be for a temporary purpose only."

Mr. CAMPBELL, of Pennsylvania, said: "The bill now before the committee is necessary to sustain the credit of the country, and to carry on the war. It is with reluctance that I have come to this conclusion."

Mr. STEVENS, of Pennsylvania, said: "This bill is a measure of necessity, not of choice. No one would willingly issue paper currency, not redeemable on demand, and make it a legal tender. * * * I do not think any more would be needed than the $150,000,000. * * * I expect that is the *maximum* amount to be issued."

Mr. HICKMAN, of Pennsylvania, said: "I am disposed to waive the question of propriety or expediency, and to vote for it as a necessity."

In the Senate, Mr. FESSENDEN, of Maine, in reporting the bill from the Finance committee, said: "But the committee thought, in giving this enlarged power to the Secretary at this time, that it was bound—if this legal-tender was resorted to, especially if the bill of the House, as it stood, should be adopted by the Senate, and should become a law—that an assurance should be given to the country that it was not to be resorted to as a policy—that it was what it professes to be, but a temporary measure. The opinions of the Secretary of the Treasury are perfectly well known. He has declared that in his judgment it is, and ought to be, but a temporary measure, not to be resorted to as a policy, but simply on this single occasion, because the country is driven to the necessity of resorting to it. I have not heard anybody express a contrary opinion; or, at least, any man who has spoken on the subject in Congress. The chairman of the Committee of Ways and Means, in advocating the measure, declared that it was not contemplated, and he did not believe it would be necessary, to issue more than $150,000,000 of treasury notes, made a legal tender, as provided by this bill. All the gentlemen who have spoken on this subject, and all, pretty much, who have written on the subject, except some wild speculators in currency, have declared that as a policy it would be ruinous to any people; and it has been defended, as I have stated, simply and solely upon the ground that it is to be a single measure, standing by itself, and not to be repeated. * * * The ground upon which this clause, making these notes a legal tender, is based, I have already stated. It is put on the ground of absolute, overwhelming necessity, that the government has now arrived at that point where it must have funds, and those funds are not to be obtained from ordinary sources, or from any of the expedients to which we have heretofore had recourse; and therefore this new, anomalous, and remarkable provision must be

resorted to, in order to enable the government to pay off the debt that it now owes, and afford circulation which will be available for other purposes."

Mr. SHERMAN, of Ohio, said: "I agree that this measure can only be justified on the ground of necessity. * * * The senator from Vermont, (Mr. COLLAMER,) whose opinion is certainly entitled to the highest consideration, and who supports it with an able argument, contends that this measure is unconstitutional. I confess, if I did not feel its *necessity*, I would shield myself behind his conviction and vote against it."

Mr. HOWARD, of Michigan, said: "It is undoubtedly a hard necessity to which we are driven."

Mr. SUMNER, of Massachusetts, said: "Uncontrollable passions have been let loose to overturn the tranquil conditions of peace. Meanwhile your soldiers in the field must be paid and fed. Here, *there* can be no failure or postponement. A remedy which at another moment you would reject, is now proposed. Whatever may be the national resources, they are not now within reach, except by summary process. Reluctantly, painfully, I consent that the process should issue."

The bill passed February 25, 1862, and authorized the issue of legal-tender notes to the amount of $150,000,000. On the 11th of July following, just four months and a half after the passage of this act, Congress authorized another issue of $150,000,000; and on the 3d of March, 1863, still another $150,000,000 were provided for, making the whole amount, authorized by law, $450,000,000.

Throughout all the debates upon this subject, the same doctrine is held and the same statements put forth. In discussing the bill for the last issue, Mr. SPAULDING, of New York, said: "I have an aversion to any considerable further issue of legal-tender notes, and can only consent to it as an imperative necessity. I think too large an issue will tend to inflate prices, but I do not see how it can be avoided. I do not see how the soldiers are to be paid, or how the government can be carried on in any other way."

Mr. WARD, of New York, said: "I believed the issue of this paper money was an unfortunate measure; and now that we have from practical experience, a thorough knowledge of the influence it exerts, there should be only one opinion as to the inexpediency of continuing to augment the volume of such currency. It is for us not to aggravate the evil, but, so far as is possible, to devise measures for its removal, that a gradual and perfect cure may be effected."

Mr. AMASA WALKER, of Massachussetts, said: "But it will be asked, What can be done? and whether it is not, in the present emergency, indispensably necessary to issue an additional amount of these notes. I suppose it is, sir. I see no alternative."

Mr. RIDDLE, of Ohio, said: "I see nothing alarming in the present amount of our currency; but to swell it by the vast amount proposed, disturbs even my nerves. Yet I know not that we have any choice. A huge chasm impedes our way; we cannot leap it, nor can our engineering bridge it. There seems no way but to turn a mighty tide into it, with the hope of floating over. * * * * Pass, we must; and I care little for incidental losses if we attain the passage. * * * The law and the logic for this (legal-tender clause,) do not dwell in the Constitution. The argument so pungent in that case came from those triangular bits of steel called 'bayonets;' and the logic upon which the measure was based came from the furrowed throats of rebel cannon. Five hundred or a thousand pieces of artillery, all bearing on this question, settled it for the present, in spite of us."

Mr. HOOPER, of Massachussetts, said: "While it is conceded that there are objections of a serious character to a currency of notes issued by the government as a permanent system, it should be remembered that those who advocated it at the time of its adoption proposed it only as a temporary measure."

A careful consideration of the foregoing extracts from the Congressional debates will establish the proposition that the issue of legal-tender notes was proposed,

advocated, and defended as a "war measure;" and, also, the additional proposition that it was not designed to be a permanent policy, but was adopted as a temporary expedient, with the declared intention and expectation that when the pressure should be removed the issue should be withdrawn. Provision was accordingly made in the acts of February 25 and July 11, 1862, for the conversion of these notes into five-twenty bonds, whenever the holders should present them at the United States Treasury for that purpose.

To quiet public apprehension as to any further issues, and to definitely fix the policy of the government on this subject, a clause was inserted in the second section of the act of June 30, 1864, as follows:

"Nor shall the total amount of United States notes issued, or to be issued, ever exceed four hundred millions of dollars, and such additional sum, not exceeding fifty millions of dollars, as may be temporarily required for the redemption of temporary loan."

This is a distinct and deliberate declaration by Congress, pledging the public faith that no more United States notes (which are "legal tenders") should be issued. This pledge is just as binding as though it had been printed on the face of every bond since issued. It was made a part of the contract with the public creditors, and cannot now be disregarded without a violation of that good faith which is the soul of a nation's credit. It is true Congress has the power to repeal any of its acts. This proviso in the act of June 30, 1864, may be repealed; and so Congress has the power to repeal section five of the act of February 25, 1862, which provides—

"That all duties on imported goods shall be paid in coin, or in notes payable on demand heretofore authorized to be issued and by law receivable in payment of public dues; and the coin so paid shall be set apart as a special fund, and shall be applied as follows:

"1. To the payment in coin of the interest on the bonds and notes of the United States.

"2. To the purchase or payment of one *per centum* of the entire debt of the United States, to be made within each fiscal year after the first day of July, 1862, which is to be set apart as a sinking fund, and the interest of which shall in like manner be applied to the purchase or payment of the public debt, as the Secretary of the Treasury shall from time to time direct.

"3. The residue thereof to be paid into the treasury of the United States."

So, also, Congress has the power to repeal the last clause of section one of the act of June 30, 1864, which exempts United States securities from State taxation.

But this is not a question of power. It is simply a question of honesty and good faith; and it is not to be questioned that the highest standard of national good faith will carry the American people with it.

But suppose this proviso should be repealed and that our government should again resort to this easy method of paying its debts. Would the flow of greenbacks stop when the limit now established to the issue of national bank notes had been reached? or would the advocates for absorbing compound interest notes, seven-thirties, and five-twenties prevail? Does this plan contemplate any limit, so long as there is an interest-bearing bond afloat unpaid? The country is left in doubt where this process is to end.

The arguments by which the scheme is sustained are plausible, but they are not honest. When money was borrowed by the government to carry on the war, these notes and bonds were given for the payment of money. It was understood and declared that legal tenders were resorted to as a temporary expedient to meet pressing emergencies, not as a permanent policy. This entire theory of continuing and augmenting the issue in order to pay off the debt in the same kind of paper money in which it was contracted, is an afterthought, a cunning device. Probably no subject has been more obscured by crude theories

and empirical schemes than this one of the time and mode of the payment of the public debt.

The effort seems to have been to find out how the government can avoid meeting its obligations according to their tenor. It is not suggested that the United States is not able to pay its debts to the last dollar. Yet there is a strong propensity manifested from time to time through the press and otherwise, to evade the payment of the full volume of our indebtedness as a nation, by some quibble or sophistry to justify action that would not be tolerated as between honorable men. The American people have not been accustomed to the burdens of a public debt, and are naturally restless under heavy taxation. They are not practiced in the study of financial problems, and may, for a time, be misled by the subtleties involved in this easy method of paying their debts. But they have simple and sturdy notions of honor and honesty and good faith, and will not knowingly, aid and abet any scheme that would tarnish the national credit. They realize, perhaps, more fully than professed financiers, the vital importance of acting up to the highest standard of national good faith.

In some future emergency the nation may, and probably will, again be obliged to resort to its credit.

Alexander Hamilton, in his report to Congress in 1790, announces "these plain and undeniable truths:"

"That exigencies are to be expected to occur in the affairs of nations in which there will be a necessity for borrowing.

"That loans in times of public danger, especially from foreign war, are found an indispensable resource, even to the wealthiest of them.

"And as, on the one hand, the necessity for borrowing in particular emergencies cannot be doubted, so, on the other, it is equally evident that to be able to borrow upon good terms it is essential that the credit of a nation should be well established.

"If the maintenance of public credit then be so truly important, the next inquiry which suggests itself is, By what means is it to be effected? The ready answer to which question is, By good faith; by a punctual performance of contracts. States, like individuals who observe their engagements, are respected and trusted, while the reverse is the fate of those who pursue an opposite conduct.

"Every breach of the public engagements, whether from choice or necessity, is, in different degrees, hurtful to the public credit. When such a necessity does truly exist, the evils of it are only to be palliated by a scrupulous attention on the part of the government to carry the violation no further than the necessity absolutely requires, and to manifest, if the nature of the case admit of it, a sincere disposition to make reparation whenever circumstances shall permit. But, with every possible mitigation, credit must suffer, and numerous mischiefs ensue. It is therefore highly important, when an appearance of necessity seems to press upon the public councils, that they should examine well its reality, and be perfectly assured that there is no method of escaping from it before they yield to its suggestions; for though it cannot safely be affirmed that occasions have never existed or may not exist in which violations of the public faith in this respect are inevitable, yet there is great reason to believe that they exist far less frequently than precedents indicate, and are oftenest either pretended, through levity or want of firmness, or supposed, through want of knowledge."

Leaving, for the present, the consideration of this proposition as a question of good faith, or of moral obligation, it ought to be reviewed also in the light of experience, as a question of expediency.

On the first day of July, 1862, the amount of legal-tender notes outstanding was $96,620,000; and, at that date, the notes were at a discount of eight per cent. On the first day of October the amount was increased to $170,246,000, and the discount was twenty per cent. Since then the discount has been as

high as sixty-four per cent., and is now over twenty-eight per cent. The government paid out this currency nominally at par, but its depreciation was marked by the advance in price of every commodity the government was compelled to buy—that is to say, by a diminution in the purchasing power of the currency used. The actual loss to the government during the last five years in consequence of this fact has been enormous. Probably not less than thirty-three per cent. of the present indebtedness of the United States is owing to the high prices paid by the government while its disbursements were heaviest. And to this day the depreciation of the currency enters into every estimate submitted to Congress as a basis for appropriations. The government submits to a "shave" on its own notes, and pays them out at less than seventy-five cents on the dollar. Of every one hundred millions disbursed in legal tenders over twenty-five millions are paid for discount.

Credit, essential as it is for the defence and preservation of the State, is, even under the most favorable conditions, an expensive resource. Capital loves certainty; and that form of credit is most expensive which leaves time and mode of payment most in doubt.

The doctrine that the entire amount of legal-tender notes in circulation is a loan to the government without interest is a popular fallacy. This loan is the most expensive one the government has ever made. In comparison with the usury paid on it, six per cent. per annum sinks into insignificance. No government ever has made, or ever will make, a forced loan from the people by the issue of its own paper, to circulate as money, without ultimate loss. *The lenders exact triple and quadruple interest, which is taxed in the price of the commodity yielded in exchange.*

The reason for this may be found in the fact that, whenever it is the misfortune of a nation to be driven by necessity to this resort in order to meets its expenditure, the very nature of the necessity under which it labors precludes any possibility of making provision for the convertibility or redemption of its notes. They are put out to be sustained by the faith of the people in the ultimate ability of the government to meet its obligations. In proportion to the amount of such indebtedness the prospect of payment is near or remote. The capacity of a people to sustain such a currency is limited; and the very moment that capacity is exceeded, the paper goes down. It is the fatality of nations that they lack the wisdom or the ability to gauge their issues by this standard. The past experience of our own, and of other nations, teaches no doubtful lesson upon this subject.

The Continental Congress issued bills which were made receivable for taxes, and the thirteen colonies were pledged for their redemption. As their credit began to fail, Congress declared that whoever should refuse to receive this paper as gold and silver, should be deemed an enemy to the liberties of the United States. But interest was stronger than patriotism; and as the amount increased, it went rapidly down, until; at last, the sum total having reached some two hundred and fifty millions,* it became so utterly worthless, about the year 1780, that it ceased to circulate.

There were those, even in that day, who lauded the excellences of government paper money, very much in the style of some of its panegyrists of the present day, and substantially upon the same ground.

"Let it be understood," said Congress, "that paper money is the only kind of money which cannot make to itself wings and fly away."

But even this did not prevent Congress from making provision for taking it up by a new issue put forth at the rate of one dollar of the new for forty of the old; and of this later issue James Madison writes, in July, 1781:

"The new bills which were to be issued only as the old ones were taken in,

*Richard Rush, Secretary of the Treasury, in his report to Congress, January 24, 1828, stated the amount of the various issues to be $241,552,780.

are in a great degree still unissued, and the depreciation which they have already suffered has determined Congress and the States to issue as few more of them as possible. *We seem to have pursued our paper projects as far as prudence will warrant. Our medium in future will be principally specie. As the paper disappears, the hard money comes forward into circulation.*"

The government of Austria, during the wars with Napoleon, resorted to the issue of its own notes to circulate as money; from time to time, as expenditure demanded, the volume was augmented, until, in 1809, the amount outstanding reached a sum equivalent in our money to six hundred million dollars. In 1811, this paper was called in and replaced by "notes of redemption," as they were termed, at the rate of twenty cents on the dollar. After the return of peace in 1815, these "notes of redemption," together with a large amount of subsequent issues which had again depreciated, were taken up, partly in Bank of Austria notes, and partly by conversion into bank stock, at the rate of forty cents on the dollar. This disposed of the original issue at the rate of eight cents on the dollar.

Russia tried the experiment, and issued government notes in making disbursements, which, at first, while the amount was small, circulated at par. But the "fatal facility" was fatal here as elsewhere. The process went on, and the paper depreciated until a silver rouble, which is the money of account in Russia, and worth seventy-five cents of our money, was worth four paper roubles. In the year 1815, this paper money amounted to seven hundred million roubles, or $525,000,000. The evils of this depreciated currency continued, varied slightly by temporary expedients, until the Emperor, by imperial manifesto, July 1, 1839, ordained cash payments by making the paper in circulation convertible into the notes of the Commercial Bank of St. Petersburgh, at the rate of four for one, or about twenty-five cents on the dollar.

The terrible experiments of France with her revolutionary *assignats* and *mandats*, are too familiar to require recital here. They ran their brief career with an impetuous force that soon exhausted itself; and they are remembered only as evidences of the mad lengths to which human folly can go.

England, at the beginning of the present century, engaged in expensive wars on the continent, legalized a suspension of specie payments, and placed her sole reliance upon the issues of the Bank of England. Freed from the liability to redeem on demand, paper money rapidly increased in volume, and as rapidly decreased in value—declining to such an extent that it was estimated that the government contracted a debt of £420,000,000 in order to realize £260,000,000. With a sturdy good sense, however, that did credit to their national character, the English people set themselves to work to retrace their steps, and after years of struggling and suffering, the Bank of England again resumed specie payments, but not until the paper currency had been reduced by the withdrawal of £43,467,978.

The ability of this government to redeem its outstanding issues is beyond question. The government has levied a contribution a little in excess of the ability of the people to carry; but they have had confidence in the discretion and integrity of the national councils. They have believed that the issue of these notes would not be allowed to exceed the amount absolutely necessary. But, if this faith should be put to the test by a departure from the avowed policy as established by Congress—that is, by new issues of legal tenders—the public would have no guarantee against future and unlimited exercise of the power; and faith in the ability of the government would decline just in proportion to the abuse of its power to emit legal-tender notes.

"There is not a single example on record of the power of creating money out of cheap materials having been exercised by a sovereign State for any length of time, or through any season of public difficulty, without having been abused. * * * The temptation to substitute issues for taxation, to relieve the wants

of the treasury, * * * becomes too strong to be resisted. The career of debasement once entered upon, it has no pause till there is scarcely any value left to be destroyed."—*Fullerton on the Regulation of Currencies*, p. 24.

"There has never been a government yet, of the many which have issued irredeemable paper, which had the wisdom and firmness to resist for any great length of time the strong temptation to over-issues. * * * When once the press is set at work, it must work on with livelier speed; because just in the ratio of the depreciation is the greater amount required."—*Perry's Elements of Political Economy.*

The advocates of a currency composed exclusively of government paper, and that in augmented volume, cannot claim even the merit of originality. The experiment has been tried over and over again, and with but one result: the paper goes down until it becomes so nearly worthless that it is taken out of the way at some nominal rate, or repudiated altogether. There is no good reason to believe that it would fare any better now. On the contrary, the experience of the last five years in this country is but the counterpart of the earlier stages of the experiment in other countries and in other times.

"The thing that hath been, it is that which shall be; and that which is done, is that which shall be done; and there is no new thing under the sun."

In view of all the circumstances surrounding the public debt, the conditions under which, and the purposes for which, it was contracted, the only rational course which can be pursued, is the one that would suggest itself to every honorable business man: the careful husbanding of the national resources by strict economy in every branch of expenditure, and a plain recognition of the character of the national obligations. Floating indebtedness is always the most embarrassing. A wise policy would remove it, so that it should not be an element of uncertainty, or of obstruction in the way of national credit.

Every year that passes will reduce the burden, by distributing it among a larger population with constantly augmenting resources. In twenty-five years the population of the United States will double. In twenty years its wealth will double. Every year new tax-payers are coming forward to sustain their share of the burden, and new property is placed upon the grand schedule for taxation. So that, by the regular natural increase of population and wealth, the burden of the public debt will steadily diminish in a sum equivalent to a reduction of fifty millions of the principal *per annum.*

In all this there is nothing to discourage, but much to stimulate renewed exertion to hold aloft the national credit above the reach of partisan storms and political strife.

There is but one point yet remaining for consideration: the mooted question whether the paper money now in circulation exceeds the amount required to do the business of the country.

The circulation of this country has consisted of a mixed currency, composed of paper and coin, in such proportions that, theoretically at least, the one should always be convertible into the other. If this theory could be practically realized, if the paper could always be converted into coin on demand, a mixed currency would be the most perfect medium of exchange that could be devised, and the paper portion of it would never depreciate. This is the great *desideratum.*

The perfect opposite of this, the poorest system that can be devised, is a paper currency inconvertible and irredeemable. The perfect currency will always adapt itself exactly to the service required of it; and just in proportion to the convertibility of a currency will it adapt itself to the wants of trade. It is the misfortune of an irredeemable currency to be subject to no known laws inherent in the natural order of things capable of regulating its volume. But while it is subject to no self-acting law in this respect, there are certain tests or indices which infallibly betray its abundance or its excess over the legitimate demands of commerce; the principal of which, and the only one necessary to

notice in this connection, is its inability to perform its functions in accordance with its promise; that is to say, a paper dollar, under these circumstances, will not buy a dollar's worth—it depreciates in value. This is called a rise in prices; but the truth is it is a fall in currency. And that is precisely the difficulty with our currency to-day: there is too much of it. It is inconvertible; it is irredeemable. The farmer gets more of it for his produce; but he pays just as much more in proportion for his sugar, his coffee, his clothing, and his labor; so he gains nothing. Apparently getting a high price for his wheat, he takes his pay in paper worth seventy-two cents on the dollar.

The appreciation in the value of this paper, then, would not damage the producer, or any other class in the community, but would simply bring the nominal sums involved in exchanges more nearly to correspond with the actual values exchanged. If the farmer should sell his bushel of wheat for one dollar in gold, he would realize the same value as though he should sell it for one dollar and forty-five cents in currency; for he can sell his gold dollar for the latter sum in paper. So that, as paper money approximates in value to coin, the nominal price of produce would decline, but the actual value would remain unchanged.

Judging of the present volume of paper currency by the high prices of every commodity, estimated in currency, it is evident that it is much in excess of the actual needs of the country.

Boast as we may of having established a new standard of value of our own, "independent of other nations," "peculiarly American," and "preeminently adapted to the development of our material resources," it is nevertheless an incontrovertible fact that we have not, and cannot, cut loose from the recognized standard of the world. Disguise it as we may, gold has been, and continues to be, the measure of value; and sooner or later it will vindicate its sovereignty. The Continental Congress, Austria, Russia, and France, were compelled to acknowledge the futility of waging the contest of paper against gold; and all repudiated their paper issues.

England, recognizing the danger of prolonging the contest, withdrew her surplus issues, effecting a reduction of her paper currency in eight years, from 1814 to 1822, when specie payments were fully resumed, of £43,467,978, or more than two hundred and fifteen million dollars.*

The paper money of the United States—that furnished by the government, together with that furnished by the banks—amounts to $665,000,000, a currency exclusively of paper, more than sufficient for all our wants.

The coin which, before the war, constituted more than half of our mixed currency, has been driven from circulation by paper money. There is no room for it now, its place having been supplied by the inferior and cheaper article; but it will come again when wanted.

The Director of the United States mint at Philadelphia, in 1861, estimated the amount of gold in the country to be	† $275, 000, 000
Product of gold for six months ending December 31, 1861....	20, 000, 000
Product for year 1862	49, 370, 000
Product for year 1863	52, 500, 000
Product for year 1864	63, 450, 000
Product for year 1865	70, 000, 000

* The *maximum* of inflation during the suspension was in 1814, when the combined circulation of the Bank of England and the country banks amounted to £69, 349, 198
At the resumption of cash payments in 1822 the circulation of the Bank of England and of the country banks had been reduced to..... 25, 881, 220

43, 467, 978

—*Tooke's History of Prices.*

† See report of Secretary Chase, December, 1861.

Product for year 1866		$106,000,000
Product for six months, ending June 30, 1867		50,000,000
Imports from 1862 to 1867, gold and silver		*78,933,587
Total		765,253,587
Deduct exports from 1862 to 1867	*$371,820,175	
Estimated circulation in California and other gold-producing States	†50,000,000	
		$421,820,175
Balance		343,433,412
Allow for errors in estimates, &c		43,433,412
And we still have		300,000,000

of gold and silver in the country waiting to be called into active service. Give these millions their place. Make room for them by calling in the legal-tender notes, the great disturbing element of our currency, and the most expensive debt the government has incurred—gradually if you please, but surely. Enforce rigidly the redemption of national bank notes. Retain for the federal government supervision and control of the currency of the country through the national banks, and we may yet realize the great *desideratum*—a safe, uniform currency, convertible into coin at the will of the holder.

Respectfully submitted,

H. R. HULBURD,
Comptroller of Currency.

Hon. HUGH McCULLOCH,
Secretary of the Treasury.

Statement showing the national banks in voluntary liquidation for the purpose of consolidating with other national banks, their capital, amount of United States bonds deposited to secure circulation, amount of circulation delivered, the amount redeemed and returned for destruction, and the amount outstanding on the 1st day of October, 1867.

Name of bank.	Office number.	Capital.	United States bonds deposited.	Circulation delivered.	Circulation returned and destroyed.	Circulat'n outstanding.
The First National Bank of Providence, Pa	521	$100,000	$101,550	$90,000	.....	$90,000
The National State Bank of Dubuque, Iowa	1540	150 000	150,000	127,500	$500	127,000
The Ohio National Bank of Cincinnati, Ohio	630	500,000	530,000	450,000	.....	450,000
The Fourth National Bank of Indianapolis, Ind	783	100,000	95,250	85,700	.....	85,700
The Pittston National Bank, Pa	1435	200,000	.....	.....	.....	.....
The Berkshire National Bank of Adams, Mass	1439	100,000	.....	.....	.....	.....
The Kittanning National Bank, Pa	1654	200,000	70,000	.....	.....	.....

* Official.

† "Mineral Resources of the United States." Report by J. Ross Browne, 1866.

REPORT

OF THE

COMPTROLLER OF THE CURRENCY.

OFFICE OF THE COMPTROLLER OF THE CURRENCY,
Washington, November 10, 1868.

SIR: In compliance with the provisions of section 61 of the national currency act, I have the honor to present, through you, to the Congress of the United States the following report:

Since the last annual report 12 national banks have been organized, of which five are new associations. One was organized to take the place of an existing State bank, and six were organized to take the place of national banks previously organized but now in liquidation and winding up, making the total number organized up to October, 1685.

Table exhibiting the number of banks, with the amount of capital, bonds deposited, and circulation, in each State and Territory, September 30, 1868.

States and Territories.	ORGANIZATION.			Capital paid in.	Bonds on deposit.	Circulation issued.	In actual circulation.
	Organized.	Closed or closing.	In operation.				
Maine	61	.....	61	$9, 085, 000 00	$8, 407, 250	$7, 569, 166	$7, 510, 066
New Hampshire	40	.....	40	4, 785, 000 00	4, 839, 000	4, 328, 195	4, 281, 695
Vermont	40	.....	40	6, 560, 012 50	6, 517, 000	5, 802, 960	5, 737, 560
Massachusetts	209	2	207	80, 032, 000 00	64, 718, 400	58, 561, 030	57, 084, 640
Rhode Island	62	.....	62	20, 364, 800 00	14, 185, 600	12, 676, 630	12, 491, 480
Connecticut	83	2	81	24, 684, 220 00	19, 768, 000	17, 800, 625	17, 443, 793
New York	314	15	299	116, 544, 941 00	79, 442, 500	73, 823, 505	68, 853, 726
New Jersey	55	1	54	11, 583, 350 00	10, 678, 650	9, 520, 485	9, 397, 985
Pennsylvania	205	8	197	50, 247, 390 00	44, 303, 350	39, 940, 700	38, 772, 102
Maryland	32	.....	32	12, 790, 202 50	10, 065, 750	9, 150, 800	8, 904, 800
Delaware	11	.....	11	1, 428, 185 00	1, 348, 200	1, 217, 225	1, 198, 825
District of Columbia	6	2	4	1, 550, 000 00	1, 398, 000	1, 278, 000	1, 137, 700
Virginia	20	2	18	2, 500, 000 00	2, 429, 800	2, 157, 930	2, 146, 670
West Virginia	15	.....	15	2, 216, 400 00	2, 243, 250	2, 020, 350	1, 988, 550
Ohio	137	4	133	22, 404, 700 00	20, 763, 800	18, 667, 750	18, 410, 425
Indiana	71	3	68	12, 867, 000 00	12, 532, 500	11, 169, 055	11, 018, 735
Illinois	83	.....	83	12, 070, 000 00	11, 047, 950	9, 777, 650	9, 648, 150
Michigan	43	1	42	5, 210, 010 00	4, 357, 700	3, 872, 955	3, 826, 455
Wisconsin	37	3	34	2, 960, 000 00	2, 768, 050	2, 583, 950	2, 541, 410
Iowa	48	4	44	4, 057, 000 00	3, 763, 750	3, 349, 805	3, 252, 228
Minnesota	16	1	15	1, 710, 000 00	1, 712, 200	1, 501, 900	1, 476, 800
Kansas	5	.....	5	400, 000 00	382, 000	354, 600	341, 000
Missouri	20	2	18	7, 810, 300 00	4, 724, 050	4, 305, 550	4, 129, 310
Kentucky	15	.....	15	2, 885, 000 00	2, 665, 900	2, 367, 270	2, 338, 620
Tennessee	13	1	12	2, 025, 300 00	1, 492, 700	1, 270, 220	1, 204, 755
Louisiana	3	1	2	1, 800, 000 00	1, 308, 000	1, 245, 000	1, 131, 415
Mississippi	2	2	.....	150, 000 00	75, 000	66, 000	64, 035
Nebraska	4	.....	4	350, 000 00	235, 000	170, 000	170, 000
Colorado	3	.....	3	350, 000 00	297, 000	254, 500	254, 000
Georgia	9	1	8	1, 600, 000 00	1, 383, 500	1, 235, 400	1, 234, 000
North Carolina	6	.....	6	653, 300 00	399, 500	317, 600	316, 000
South Carolina	3	.....	3	685, 000 00	204, 000	153, 000	135, 000
Alabama	3	1	2	500, 000 00	370, 500	353, 025	304, 900
Nevada	1	.....	1	155, 000 00	155, 000	131, 700	131, 700
Oregon	1	.....	1	100, 000 00	100, 000	88, 500	88, 500
Texas	4	.....	4	525, 000 00	472, 100	417, 635	407, 535
Arkansas	2	.....	2	200, 000 00	200, 000	179, 500	179, 500
Utah	1	.....	1	150, 000 00	150, 000	135, 500	135, 000
Montana	1	.....	1	100, 000 00	40, 000	36, 000	36, 000
Idaho	1	.....	1	100, 000 00	75, 000	63, 500	63, 500
Total	1, 685	56	1, 629	426, 189, 111 00	342, 019, 950	309, 915, 166	299, 806, 565

From the number of banks organized, heretofore stated to be 1,685, should be deducted 56, leaving the number in active operation 1,629.

The banks to be excluded are the following:

NEVER COMPLETED THEIR ORGANIZATION SO AS TO COMMENCE BUSINESS.

The First National Bank of Lansing, Michigan, No. 232.
The First National Bank of Penn Yan, New York, No. 169.
The Second National Bank of Canton, Ohio, No. 463.
The Second National Bank of Ottumwa, Iowa, No. 195.

SUPERSEDED BY SUBSEQUENT ORGANIZATION WITH THE SAME TITLES.

The First National Bank of Norwich, Connecticut, original No. 65; present No. 458.

The First National Bank of Utica, New York, original No. 120; present No. 1,395.

IN VOLUNTARY LIQUIDATION.

The First National Bank of Columbia, Missouri.
The First National Bank of Carondelet, Missouri.
The National Union Bank of Rochester, New York.
The National Bank of the Metropolis, Washington, D. C.
The First National Bank of Leonardsville, New York.
The Farmers' National Bank of Richmond, Virginia.
The Farmers' National Bank of Waukesha, Wisconsin.
The City National Bank of Savannah, Georgia.
The National Bank of Crawford County, Meadville, Pennsylvania.
The First National Bank of Elkhart, Indiana.
The First National Bank of New Ulm, Minnesota.
The Pittston National Bank, Pennsylvania.
The Berkshire National Bank of Adams, Massachusetts.
The Fourth National Bank of Indianapolis, Indiana.
The Kittanning National Bank, Kittanning, Pennsylvania.
The First National Bank of Providence, Pennsylvania.
The National State Bank of Dubuque, Iowa.
The Ohio National Bank of Cincinnati, Ohio.

Since October 1, 1867:

The First National Bank of Kingston, New York.
The First National Bank of Bluffton, Indiana.
The First National Bank of Skaneateles, New York.
The First National Bank of Jackson, Mississippi.
The First National Bank of Downingtown, Pennsylvania.
The National Exchange Bank of Richmond, Virginia.
The Appleton National Bank, Appleton, Wisconsin.
The National Bank of Whitestown, New York.

The First National Bank of New Brunswick, New Jersey.
The First National Bank of Titusville, Pennsylvania.
The First National Bank of Cuyahoga Falls, Ohio.
The First National Bank of Cedarburg, Wisconsin.
The Commercial National Bank of Cincinnati, Ohio.
The Second National Bank of Watertown, New York.
The Second National Bank of Des Moines, Iowa.
The First National Bank of South Worcester, New York.
The National Mechanics and Farmers' Bank of Albany, New York.
The First National Bank of Plumer, Pennsylvania.

Of the banks in liquidation, the following are winding up for the purpose of consolidating with other banks:

The Pittston National Bank, Pittston, Pennsylvania, with the First National Bank of Pittston.

The Berkshire National Bank of Adams, Massachusetts, with the First National Bank of Berkshire.

The Fourth National Bank of Indianapolis, Indiana, with the Citizens' National Bank of Indianapolis.

The Kittanning National Bank, Kittanning, Pennsylvania, with the First National Bank of Kittanning.

The First National Bank of Providence, Pennsylvania, with the Second National Bank of Scranton, Pennsylvania.

The National State Bank of Dubuque, Iowa, with the First National Bank of Dubuque.

The Ohio National Bank of Cincinnati, Ohio, with the Merchants' National Bank of Cincinnati.

The First National Bank of Titusville, Pennsylvania, with the Second National Bank of Titusville.

The National Exchange Bank of Richmond, Virginia, with the First National Bank of Richmond.

The Second National Bank of Watertown, New York, with the First National Bank of Watertown.

The following banks in liquidation are succeeded by new organizations, which are to take their circulation as fast as it is redeemed; this being the only process by which a change of location can be effected.

The First National Bank of Downington, Pennsylvania, succeeded by the First National Bank of Honeybrook, Pennsylvania.

The First National Bank of New Brunswick, New Jersey, succeeded by the Princeton National Bank, Princeton, New Jersey.

The Second National Bank of Des Moines, Iowa, succeeded by the Pacific National Bank of Council Bluffs, Iowa.

The First National Bank of Plumer, Pennsylvania, succeeded by the First National Bank of Sharon, Pennsylvania.

Statement showing the national banks in liquidation for the purpose of closing up and going out of existence, their capital, bonds deposited to secure circulation, circulation delivered, circulation redeemed, and circulation outstanding, October 1, 1868.

Name of bank.	Capital.	U. S. bonds on deposit.	Legal Tenders deposited.	Circulation delivered.	Circulation returned and destroyed.	Circulation outstanding.
The First National Bank of Columbia, Mo	$100,000	.....	$90,000	$90,000	$6,910	$83,090
The First National Bank of Carondelet, Mo	30,000	.....	25,500	25,500	16,640	8,860
The National Union Bank of Rochester, N. Y	400,000	$220,000	.....	192,500	.....	192,500
The National Bank of the Metropolis, Washington, D. C.	200,000	202,000	.....	180,000	.....	180,000
The First National Bank of Leonardsville, N. Y	50,000	50,500	.....	45,000	.....	45,000
The Farmers' National Bank of Richmond, Va	100,000	100,000	.....	85,000	.....	85,000
The Farmers' National Bank of Waukesha, Wis	100,000	.....	90,000	90,000	140	89,860
The City National Bank of Savannah, Ga	100,000	.....	.....	(*)	.....	.....
The National Bank of Crawford County, Meadville, Pa.	300,000	.....	.....	(*)	.....	.....
The First National Bank of Elkhart, Ind	100,000	100,000	.....	88,150	1,000	87,150
The First National Bank of New Ulm, Minn	60,000	60,000	.....	54,000	.....	54,000
The First National Bank of Kingston, N. Y	200,000	200,000	.....	180,000	.....	180,000
The First National Bank of Bluffton, Ind	50,000	50,000	.....	45,000	.....	45,000
The First National Bank of Skaneateles, N. Y	150,000	153,000	.....	135,000	.....	135,000
The First National Bank of Jackson, Miss	100,000	45,000	.....	40,500	.....	40,500
The Appleton National Bank, Appleton, Wis	50,000	50,000	.....	45,000	.....	45,000
The National Bank of Whitestown, N. Y	120,000	50,000	.....	44,500	.....	44,500
The First National Bank of Cuyahoga Falls, Ohio	50,000	50,000	.....	45,000	.....	45,000
The First National Bank of Cedarburg, Wis	100,000	80,000	.....	90,000	18,000	72,000
The Commercial National Bank of Cincinnati, Ohio	500,000	407,000	.....	345,950	.....	345,950
The First National Bank of South Worcester, N. Y.	175,000	177,700	.....	157,400	.....	157,400
The National Mechanics and Farmers' Bank of Albany, N. Y.	350,000	350,000	.....	314,950	3,520	311,430

* No circulation.

Statement showing the national banks in liquidation for the purpose of consolidating with other banks, their capital, bonds, and circulation.

Name of bank.	Capital.	U. S. bonds on deposit.	Circulation delivered.	Circulation returned and destroyed.	Circulation outstanding.
The Pittston National Bank, Pittston, Pa	$200,000	.....	(*)	.....	.....
The Berkshire National Bank of Adams, Mass	100,000	.....	(*)	.....	.....
The Fourth National Bank of Indianapolis, Ind	100,000	$94,000	$85,700	$1,100	$84,600
The First National Bank of Providence, Pa	100,000	101,550	90,000	1,000	89,000
The Kittanning National Bank, Kittanning, Pa	200,000	.....	(*)	.....	.....
The Ohio National Bank of Cincinnati, Ohio	500,000	530,000	450,000	2,500	447,500
The National State Bank of Dubuque, Iowa	150,000	146,000	127,500	3,400	124,100
The National Exchange Bank of Richmond, Va	200,000	206,300	180,000	.....	180,000
The First National Bank of Titusville, Pa	100,000	100,000	86,750	1,505	85,245
The Second National Bank of Watertown, N. Y	100,000	100,000	90,000	.....	90,000

* No circulation.

Statement showing the national banks in liquidation for the purpose of changing their location, their capital, bonds, and circulation.

Name of bank.	Capital.	U. S. bonds on deposit.	Circulation delivered.	Circulation returned and destroyed.	Circulation outstanding.
The First National Bank of Downingtown, Pa	$100,000	$100,000	$89,500	$1,400	$88,100
The First National Bank of New Brunswick, N. J	100,000	100,000	90,000	500	89,500
The Second National Bank of Des Moines, Iowa	50,000	50,000	42,500	.....	42,500
The First National Bank of Plumer, Pa	100,000	100,000	87,500	.....	87,500

NATIONAL BANKS WHICH HAVE FAILED TO REDEEM THEIR CIRCULATING NOTES, AND FOR WHICH RECEIVERS HAVE BEEN APPOINTED.

The First National Bank of Attica, New York, Leonidas Doty, receiver.

The Venango National Bank of Franklin, Pennsylvania, Harvey Henderson, receiver.

The Merchants' National Bank of Washington, D. C., James C. Kennedy, receiver.

The First National Bank of Medina, New York, Edwin P. Healey, receiver.

The Tennessee National Bank of Memphis, Tennessee, William A. Hill, receiver.

The First National Bank of Newton, Newtonville, Massachusetts, D. Wayland Jones, receiver.

The First National Bank of Selma, Alabama, Cornelius Cadle, jr., receiver.

The First National Bank of New Orleans, Louisiana, Charles Case, receiver.

The National Unadilla Bank, Unadilla, New York, Lewis Kingsley, receiver.

The Farmers and Citizens' National Bank of Brooklyn, New York, Frederick A. Platt, receiver.

The Croton National Bank of the city of New York, C. P. Bailey, receiver.

The National Bank of Vicksburg, Mississippi, Edwin F. Brown, receiver.

The First National Bank of Keokuk, Iowa, H. W. Sample, receiver.

The First National Bank of Bethel, Connecticut, E. S. Tweedy, receiver.

The affairs of the First National Bank of Attica have been finally closed, and a dividend paid to the creditors of forty-eight per cent.

The affairs of the First National Bank of Newton have been finally closed. The government claims were paid in full, and a dividend of forty per cent. paid to the general creditors.

A partial dividend has been declared to the creditors of the Farmers and Citizens' National Bank of Brooklyn, New York, of fifty-five per cent., and to the creditors of the Croton National Bank of the city of New York of fifty per cent. upon all claims approved or adjudicated.

Statement showing the national banks in the hands of receivers, their capital, amount of United States bonds deposited to secure circulation, amount of circulation delivered, the amount of circulation redeemed at the treasury of the United States, and the amount outstanding on the 1st day of October, 1868.

Name and location of bank.	Capital.	U. S. bonds on deposit.	Legal Tenders on deposit, realiz'd from sale of bonds.	Circulation delivered.	Circulation redeemed.	Circulation outstanding.
The First National Bank of Attica, N. Y..	$50,000	.....	$44,000 00	$44,000	$32,750	$11,250
The Venango National Bank of Franklin, Pa	300,000	$40,000	61,871 00	85,000	64,030	20,970
The Merchants' National Bank of Washington, D. C	200,000	80,000	127,741 00	180,000	125,800	54,200
The First National Bank of Newton, Mass.	150,000	146,000	.....	130,000	6,500	123,500
The First National Bank of Medina, N. Y..	50,000	20,000	27,329 25	40,000	26,210	13,790
The Tennessee Nat'l B'k of Memphis, Tenn	100,000	50,000	53,372 00	90,000	59,465	30,535
The First National Bank of Selma, Ala. ..	100,000	60,000	41,247 20	85,000	48,125	36,875
The First National Bank of New Orleans, La	500,000	100,000	104,742 00	180,000	113,585	66,415
The National Unadilla Bank, Unadilla, N. Y	120,000	61,200	53,183 50	100,000	64,880	35,120
The Farmers and Citizens' National Bank of Brooklyn, N. Y	300,000	185,500	106,504 10	253,900	137,920	115,980
The Croton National B'k of the city of New York, N. Y	200,000	142,000	72,181 90	180,000	105,111	74,889
The First National Bank of Bethel, Conn..	60,000	30,000	.....	26,300	2,020	24,280
The First National Bank of Keokuk, Iowa.	100,000	100,000	.....	90,000	28,780	61,220
The First National Bank of Vicksburg, Miss	50,000	30,000	.....	25,500	1,965	23,535

The following statement exhibits the number and amount of notes issued, redeemed and outstanding, October 5, 1868:

ONES.

	Notes.	
Issued	8,896,576	$8,896,576
Redeemed	254,754	254,754
Outstanding	8,641,822	8,641,822

TWOS.

Issued	2,978,160	$5,956,320
Redeemed	73,176	146,352
Outstanding	2,904,984	5,809,968

FIVES.

Issued	23,106,728	$115,533,640
Redeemed	482,132	2,410,660
Outstanding	22,624,596	113,122,980

TENS.

Issued	7,915,914	$79,159,140
Redeemed	142,359	1,423,590
Outstanding	7,773,555	77,735,550

TWENTIES.		
Issued	2,219,322	$44,386,440
Redeemed	36,355	727,100
Outstanding	2,182,967	43,659,340
FIFTIES.		
Issued	355,181	$17,759,050
Redeemed	17,256	862,800
Outstanding	337,925	16,896,250
ONE HUNDREDS.		
Issued	267,350	$26,735,000
Redeemed	15,583	1,558,300
Outstanding	251,767	25,176,700
FIVE HUNDREDS.		
Issued	13,486	$6,743,000
Redeemed	1,759	879,500
Outstanding	11,727	5,863,500
ONE THOUSANDS.		
Issued	4,746	4,746,000
Redeemed	1,846	1,846,000
Outstanding	2,900	2,900,000

Total of all denominations outstanding on the first Monday of October, 1868	$299,806,110
Add for fragments of notes outstanding, lost or destroyed, portions of which have been redeemed	455
	$299,806,565

Table of the state of the lawful money reserve (required by sections 31 and 32 of the national currency act) of the National Banking Associations of the United States, as shown by the quarterly reports of their condition on the morning of the first Monday in JANUARY, 1868, *before the commencement of business.*

States and territories.	Number of banks reporting.	Liabilities to be protected by a reserve of fifteen per cent. of the amount.	Amount required as reserve.	Items of reserve.				Amount of available reserve.	Percentage of available reserve to liabilities.
				Legal Tenders.	Specie.	Compound int'st notes and three per cent. temporary loan certificates.	Amount due from approved associations in the redemption cities, available for the redemption of circulating notes.		
Maine	61	$12, 840, 497	$1, 926, 075	$895, 735	$57, 279	$243, 490	$1, 828, 556	$3, 025, 060	23 6-10
New Hampshire	40	6, 735, 456	1, 010, 318	482, 809	33, 137	164, 220	1, 259, 407	1, 939, 573	28 8-10
Vermont	40	7, 985, 866	1, 197, 880	593, 553	38, 424	200, 690	836, 047	1, 668, 714	20 9-10
Massachusetts	161	52, 216, 507	7, 832, 476	3, 336, 586	391, 480	2, 027, 840	7, 020, 862	12, 776, 768	24 5-10
Rhode Island	62	19, 434, 289	2, 915, 143	1, 330, 472	35, 132	637, 800	2, 174, 936	4, 178, 340	21 5-10
Connecticut	82	30, 232, 869	4, 534, 930	1, 872, 686	149, 624	1, 132, 520	3, 766, 403	6, 921, 233	22 9-10
New York	239	78, 438, 272	11, 765, 741	5, 035, 167	345, 410	3, 305, 020	9, 352, 191	18, 037, 788	23
New Jersey	54	24, 028, 436	3, 604, 265	1, 728, 999	111, 737	956, 270	3, 649, 085	6, 446, 091	26 8-10
Pennsylvania	153	45, 923, 862	6, 888, 579	4, 551, 074	134, 224	1, 867, 680	3, 939, 386	10, 492, 364	22 8-10
Delaware	11	2, 585, 326	387, 799	163, 678	6, 305	120, 990	312, 244	603, 217	23 3-10
Maryland	19	4, 406, 632	660, 995	506, 280	58, 285	182, 640	366, 627	1, 113, 832	25 3-10
District of Columbia	1	206, 528	30, 979	13, 525	4, 863	8, 620	12, 443	39, 451	19 1-10
Virginia	19	5, 451, 793	817, 769	573, 710	109, 685	97, 600	267, 727	1, 048, 722	19 2-10
West Virginia	15	4, 686, 394	702, 959	517, 628	30, 837	137, 100	326, 423	1, 011, 988	21 6 10
North Carolina	5	950, 996	142, 649	119, 806	19, 469	1, 750	122, 463	263, 488	27 7-10
South Carolina	2	1, 018, 807	152, 821	224, 243	7, 752	4, 160	416, 152	652, 307	64
Georgia	8	3, 618, 992	542, 849	882, 979	23, 298	111, 850	353, 911	1, 372, 038	37 9-10
Alabama	2	720, 532	108, 080	105, 900	19, 040	.....	136, 067	261, 007	36 2-10
Mississippi	1	144, 685	21, 703	27, 741	3, 394	.....	4, 810	35, 945	24 8-10
Texas	4	1, 414, 486	212, 173	126, 187	245, 580	65, 220	227, 794	664, 781	47
Arkansas	2	765, 683	114, 852	86, 856	15, 718	370	69, 398	163, 342	21 3-10
Kentucky	11	2, 937, 055	440, 558	316, 064	8, 753	74, 230	322, 067	721, 114	24 6-10
Tennessee	12	4, 511, 938	676, 790	563, 013	47, 776	97, 450	285, 859	994, 098	22
Ohio	123	30, 541, 249	4, 581, 187	3, 699, 798	120, 828	939, 280	2, 243, 885	7, 003, 791	22 9-10
Indiana	70	18, 093, 231	2, 713, 985	2, 282, 507	119, 826	735, 040	888, 759	4, 026, 132	22 2-10
Illinois	69	14, 437, 742	2, 165, 661	1, 811, 577	145, 609	346, 140	1, 287, 406	3, 590, 732	24 9-10
Michigan	37	6, 478, 351	971, 753	774, 454	20, 759	274, 860	575, 102	1, 645, 175	25 4-10
Wisconsin	32	5, 460, 371	819, 056	820, 932	39, 384	135 200	536, 063	1, 531, 579	28
Iowa	45	9, 060, 552	1, 359, 083	1, 459, 404	54, 650	216, 140	652, 504	2, 382, 698	26 3-10
Minnesota	15	3, 411, 488	511, 723	455, 177	28, 520	93, 940	168, 050	745, 687	21 9-10
Missouri	9	2, 282, 845	342, 427	252, 117	37, 678	41, 620	221, 007	552, 422	24 2-10
Kansas	3	358, 821	53, 823	23, 843	2, 083	4, 930	24, 905	55, 761	15 5-10

Nebraska	3	1,998,130	299,720	160,048	19,340	130,540	34,767	344,695	17 3-10
Nevada	1	233,964	35,095	27,904	28,220	130	.....	56,254	24
Oregon	1	240,812	36,122	44,624	10,343	17,270	19,858	92,095	38 2-10
Colorado	3	1,103,308	165,496	233,666	7,239	800	90,348	332,053	30 1-10
Montana	1	94,436	14,165	9,060	24,508	150	6,366	40,084	42 4-10
Utah	1	191,859	28,779	25,571	2,642	.....	4,600	32,813	17 1-10
Idaho	1	79,306	11,895	3,428	6,390	.....	.....	9,818	12 3-10
Total	1,418	405,322,366	60,798,353	36,138,801	2,565,221	14,373,550	43,795,478	96,873,050	23 9-10

Table of the state of the lawful money reserve—Continued. CITIES, *for quarter ending on the first Monday in* JANUARY, 1868.

Redemption cities.	Number of banks reporting.	Liabilities to be protected by a reserve of twenty-five per cent. of the amount.	Amount required as reserve.	Items of reserve.				Amount of available reserve.	Percentage of available reserve to liabilities.
				Legal Tenders.	Specie.	Compound int'st notes and three per cent. temporary loan certificates.	Amount due from approved associations in New York city, available for the redemption of circulating notes.		
Boston	46	$73,257,147	$18,314 287	$10,092,748	$1,868,307	$5,262,310	$6,312,171	$23,535,536	32 1-10
Albany	8	12,447,347	3,111,837	675,217	30,209	1,268,850	2,527,622	4,501,898	36 2-10
Philadelphia	30	52,815,841	13,203,960	13,204,015	308,485	4,116,520	1,879,357	19,508,377	36 9-10
Pittsburgh	16	14,570,911	3,642,728	1,998,682	115,682	796,380	1,340,558	4,251,302	29 2-10
Baltimore	13	19,075,727	4,768,932	3,208,347	388,862	1,089,770	1,486,342	6,173,321	32 4-10
Washington	4	4,484,242	1,121,061	136,116	51,345	677,180	338,670	1,203,311	26 8-10
New Orleans	2	2,279,632	569,908	646,127	136,482	.....	44,487	827,096	36 3-10
Louisville	4	1,342,116	335,529	230,559	6,165	94,660	68,200	399,584	29 8-10
Cincinnati	7	11,096,509	2,774,127	1,595,232	89,219	446,280	470,858	2,601,589	23 4-10
Cleveland	5	5,303,844	1,325,961	529,352	43,743	393,290	607,575	1,573,960	29 2-10
Chicago	13	14,619,215	3,654,804	2,646,716	54,934	481,500	1,588,605	4,771,755	32 6-10
Detroit	4	3,678,374	919,594	490,585	296	188,040	854,196	1,533,117	41 7-10
Milwaukee	5	2,699,237	674,809	390,644	15,780	132,160	353,120	891,704	33
St. Louis	8	10,969,942	2,742,485	1,874,639	160,365	355,270	513,656	2,903,930	26 5-10
Leavenworth	2	991,713	247,928	156,015	2,234	38,300	81,393	277,942	28
Total	167	229,631,797	57,407,950	37,874,994	3,272,108	15,340,510	18,466,810	74,954,422	32 6-10
New York	57	$210,021,541	$52,505,385	$40,292,696	$12,266,650	$18,527,970	.....	$71,087,316	33 8-10

Table of the state of the lawful money reserve—Continued. STATES, *for quarter ending on the first Monday in* APRIL, 1868.

States and Territories.	Number of banks reporting.	Liabilities to be protected by a reserve of fifteen per cent. of the amount.	Amount required as reserve.	Items of reserve.				Amount of available reserve.	Percentage of available reserve to liabilities.
				Legal Tenders.	Specie.	Compound int'st notes and three per cent. temporary loan certificates.	Amount due from approved associations in the redemption cities available for the redemption of circulating notes.		
Maine	61	$12, 789, 225	$1, 918, 383	$941, 083	$19, 119	$251, 180	$1, 675, 338	$2, 886, 720	22 6-10
New Hampshire	40	6, 532, 909	979, 936	383, 316	4, 329	227, 310	956, 376	1, 571, 331	24 1-10
Vermont	40	8, 057, 002	1, 208, 550	547, 142	19, 553	238, 060	889, 581	1, 694, 336	21
Massachusetts	161	52, 155, 797	7, 823, 369	3, 009, 465	223, 271	2, 024, 800	6, 638, 702	11, 896, 238	22 8-10
Rhode Island	62	19, 226, 135	2, 883, 920	1, 189, 251	28, 973	607, 570	1, 823, 947	3, 649, 741	19
Connecticut	81	30, 349, 531	4, 552, 430	1, 657, 834	124, 993	1, 109, 490	3, 415, 410	6, 307, 727	20 8-10
New York	239	77, 622, 416	11, 643, 362	4, 846, 767	288, 763	3, 553, 100	8, 589, 989	17, 278, 619	22 3-10
New Jersey	54	24, 818, 458	3, 722, 768	1, 666, 272	65, 716	999, 070	3, 309, 098	6, 040, 156	24 3-10
Pennsylvania	153	49, 927, 044	7, 489, 057	5, 413, 437	96, 129	1, 968, 180	4, 368, 532	11, 846, 278	23 7-10
Delaware	11	2, 658, 986	398, 848	167, 379	4, 883	119, 810	313, 330	605, 402	22 8-10
Maryland	19	4, 476, 108	671, 416	446, 592	52, 240	186, 400	353, 857	1, 039, 089	23 2-10
District of Columbia	1	169, 620	25, 443	14, 271	951	540	9, 281	25, 043	14 8-10
Virginia	19	5, 575, 223	836, 284	414, 611	83, 235	93, 960	460, 604	1, 052, 410	18 9-10
West Virginia	15	4, 548, 232	682, 240	384, 734	48, 176	130, 900	315, 036	878, 846	19 3-10
North Carolina	5	1, 044, 869	156, 730	113, 985	24, 390	690	122, 878	261, 943	25 1-10
South Carolina	2	1, 483, 658	222, 548	313, 700	9, 948	4, 160	633, 321	961, 129	64 8-10
Georgia	8	4, 094, 260	614, 139	907, 723	21, 215	111, 770	389, 879	1, 430, 587	34 9-10
Alabama	2	801, 888	120, 283	226, 074	28, 783	.....	38, 219	293, 066	36 5-10
Mississippi	1	98, 273	14, 741	21, 751	8, 019	.....	1, 190	30, 960	31 5-10
Texas	4	1, 522, 415	228, 362	245, 211	149, 871	350	436, 515	831, 947	54 6-10
Arkansas	2	868, 601	121, 290	37, 380	3, 957	.....	33, 911	75, 248	9 3-10
Kentucky	11	2, 894, 461	434, 169	358, 184	18, 129	68, 460	234, 480	679, 253	23 5-10
Tennessee	12	4, 788, 536	718, 280	674, 737	28, 674	102, 860	399, 637	1, 205, 908	25 2-10
Ohio	123	29, 853, 314	4, 477, 997	3, 124, 639	49, 013	1, 015, 230	2, 097, 370	6, 286, 252	21 1-10
Indiana	70	19, 314, 425	2, 897, 164	2, 101, 438	72, 280	729, 620	1, 399, 550	4, 302, 888	22 3-10
Illinois	69	14, 995, 290	2, 249, 293	1, 714, 886	106, 742	340, 560	1, 414, 808	3, 576, 996	23 9-10
Michigan	38	6, 729, 558	1, 009, 433	672, 028	20, 104	285, 090	661 059	1, 638, 281	24 3-10
Wisconsin	32	4, 892, 225	733, 834	535, 452	15, 109	163, 960	469, 784	1, 184, 305	24 2-10
Iowa	44	9, 110, 696	1, 366, 604	1, 390, 602	47, 482	198, 940	572, 079	2, 209, 103	24 2-10
Minnesota	15	3, 191, 928	478, 789	297, 853	5, 546	90, 330	232, 150	625, 879	19 6-10
Missouri	10	2, 627, 801	394, 170	332, 120	39, 763	42, 400	232, 643	646, 926	24 6-10
Kansas	3	401, 990	60, 299	58, 518	456	4, 740	67, 623	131, 337	32 7-10
Nebraska	3	2, 823, 916	423, 587	284, 358	19, 891	23, 280	248, 551	576, 080	20 4-10

Nevada	1	228,209	34,231	23,888	30,072	130	6,469	60,559	26 5-10
Oregon	1	267,225	40,084	61,701	3,166	17,380	17,411	99,658	37 3-10
Colorado	3	980,351	147,053	108,065	9,606	550	58,447	176,668	18
Montana	1	108,151	16,223	10,000	29,755	170	5,389	45,314	41 9-10
Utah	1	209,917	31,487	25,613	972	.....	481	27,066	12 9-10
Idaho	1	72,718	10,907	13,640	743	.....	.....	14,383	19 8-10
Total	1,418	412,251,361	61,837,703	34,735,700	1,894,017	14,711,040	42,892,915	94,143,672	22 8-10

Table of the state of the lawful money reserve—Continued. CITIES, *for quarter ending on the first Monday in* APRIL, 1868.

Redemption cities.	Number of banks reporting.	Liabilities to be protected by a reserve of fifteen per cent. of the amount.	Amount required as reserve.	Items of reserve.				Amount of available reserve.	Percentage of available reserve to liabilities.
				Legal Tenders.	Specie.	Compound int'st notes and three per cent. temporary loan certificates.	Amount due from approved associations in New York city available for the redemption of circulating notes.		
Boston	46	$74,880,262	$18,720,066	$6,021,514	$865,475	$6,791,370	$6,007,653	$19,686,012	26 3-10
Albany	8	14,418,449	3,604,612	778,489	16,679	1,341,090	2,814,645	4,950,903	34 3-10
Philadelphia	30	47,961,651	11,990,413	6,870,066	238,116	6,736,570	1,659,074	15,503,826	32 3-10
Pittsburg	16	14,938,897	3,734,724	2,096,454	53,161	891,240	1,529,329	4,570,184	30 6-10
Baltimore	13	18,622,877	4,655,719	2,367,862	310,509	1,494,780	1,012,535	5,185,686	27 8-10
Washington	4	4,076,456	1,019,114	192,638	30,958	552,610	210,581	986,787	24 2-10
New Orleans	2	3,045,229	761,307	962,986	243,380	.....	88,468	1,294,834	42 5-10
Louisville	4	1,477,973	369,493	310,941	8,675	114,710	98,053	532,379	36
Cincinnati	7	11,502,020	2,875,505	1,473,341	32,911	705,030	579,908	2,791,190	24 3-10
Cleveland	5	4,919,177	1,229,794	404,483	9,113	329,660	556,145	1,299,401	26 4-10
Chicago	14	18,407,363	4,601,841	3,137,751	51,124	611,740	1,837,361	5,637,976	30 6-10
Detroit	4	3,663,691	915,923	366,887	3,748	189,420	723,686	1,283,741	35
Milwaukee	5	2,556,951	639,238	339,873	6,002	99,390	336,370	781,635	30 6-10
St. Louis	8	11,755,002	2,938,750	1,481,596	81,359	654,420	929,993	3,147,368	26 8-10
Leavenworth	2	1,494,449	373,612	135,440	1,210	35,990	72,936	245,576	16 5-10
Total	168	233,720,447	58,430,111	26,940,321	1,952,420	20,548,020	18,456,737	67,897,498	29 1-10
New York	57	195,364,482	48,841,120	22,714,198	11,623,221	27,913,430	.....	62,250,849	31 9-10

Table of the state of the lawful money reserve—Continued. STATES, *for quarter ending on the first Monday in* JULY, 1868.

States and Territories.	Number of banks reporting.	Liabilities to be protected by a reserve of fifteen per cent. of the amount.	Amount required as reserve.	Items of reserve.				Amount of available reserve.	Percentage of available reserve to liabilities.
				Legal Tenders.	Specie.	Compound int'st notes and three per cent. temporary loan certificates.	Amount due from approved associations in the redemption cities, available for the redemption of circulating notes.		
Maine	60	$13, 422, 108	$2, 013, 316	$927, 822	$41, 227	$125, 430	$1, 796, 980	$2, 891, 459	21 5-10
New Hampshire	40	6, 717, 111	1, 007, 567	459, 749	6, 598	169, 970	946, 002	1, 582, 319	23 6-10
Vermont	40	8, 401, 725	1, 260, 259	617, 780	48, 126	169, 090	970, 236	1, 805, 232	21 4-10
Massachusetts	161	54, 159, 991	8, 123, 999	3, 451, 371	232, 259	1, 518, 790	8, 060, 107	13, 262, 527	24 5-10
Rhode Island	62	19, 938, 531	2, 990, 780	1, 231, 074	32, 727	517, 660	2, 604, 589	4, 386. 050	22
Connecticut	81	32, 223, 020	4, 833, 453	2, 058, 950	79, 459	727, 030	4, 492, 831	7, 358, 270	22 8-10
New York	239	78, 419, 924	11, 762, 989	4, 853, 220	336, 123	2, 687, 720	9, 951, 662	17, 828, 725	22 7-10
New Jersey	54	23, 943, 390	3, 591, 508	1, 722, 567	58, 587	763, 430	3, 437, 081	5, 981, 665	24 9-10
Pennsylvania	152	47, 826, 271	7, 173, 941	4, 393, 767	93, 059	1, 687, 660	4, 781, 690	10, 956, 176	22 9-10
Delaware	11	2, 667, 485	400, 123	192, 431	10, 258	118, 230	327, 613	648, 532	24 3-10
Maryland	19	4, 523, 845	678, 577	465, 895	51, 841	135, 090	408, 704	1, 061, 530	23 4-10
District of Columbia	1	158, 192	23, 729	15, 782	369	200	10, 893	27, 244	17 2-10
Virginia	19	6, 141, 220	921, 183	533, 877	112, 026	72, 820	560, 964	1, 279, 687	20 8-10
West Virginia	15	4, 644, 386	696, 658	441, 402	38, 403	106, 220	349, 987	936, 012	20 1-10
North Carolina	5	1, 127, 358	169, 104	180, 206	17, 202	2, 880	72, 126	272, 414	24 2-10
South Carolina	3	1, 671, 537	250, 730	486. 045	17, 391	4. 160	511, 949	1, 019, 545	61
Georgia	8	4, 085, 662	612, 849	1, 018, 653	28, 442	123, 060	319, 784	1, 489, 939	36 4-10
Alabama	2	646, 226	96, 934	125, 599	61, 746	.....	82, 283	269, 628	41 6-10
Mississippi	1	40, 500	6, 075	17, 880	.....	.....	525	18, 405	45 4-10
Texas	4	1, 479, 353	221, 903	210. 884	255, 952	.....	291, 983	758, 819	51 2-10
Arkansas	2	871, 668	130, 750	86, 087	2, 709	.....	78, 849	167, 645	19 2-10
Kentucky	11	2, 867, 252	430, 088	382, 271	5, 057	46, 400	220, 409	654, 137	22 8-10
Tennessee	11	4, 207, 963	631, 194	611, 080	31, 259	65, 070	341, 936	1, 049, 345	24 9-10
Ohio	123	30, 695, 041	4, 604, 256	3, 172, 545	64, 099	648, 670	2, 829, 875	6, 715, 189	21 9-10
Indiana	70	19, 587, 040	2, 938, 056	2, 318, 088	66, 902	326, 060	1, 453, 189	4, 164, 239	21 2-10
Illinois	69	15, 741, 642	2, 361, 246	1, 841, 666	94, 091	266, 960	1, 907, 708	4, 110, 425	26 1-10
Michigan	37	6, 903, 431	1, 035, 515	796, 478	23, 566	140, 120	871, 202	1, 831, 366	26 5.10
Wisconsin	31	5, 022, 811	753, 422	641, 617	23, 213	99, 530	621, 737	1, 386, 097	27 5-10
Iowa	44	10, 793, 436	1, 619, 015	1, 536, 233	64, 268	116, 310	1, 785, 428	3, 502, 239	32 4-10
Minnesota	14	3, 789, 712	568, 457	442, 653	36, 951	43, 110	310, 740	833, 454	22
Missouri	10	2, 559, 623	383, 944	366, 449	28, 499	25, 450	304, 360	724, 758	28 3-10
Kansas	3	545, 441	81, 816	85, 994	221	5, 090	121, 576	212, 881	39
Nebraska	4	1, 994, 320	299, 148	242, 409	10, 791	13, 230	726, 206	992, 636	49 8-10

Nevada	1	217,866	32,680	26,785	31,391	.....	13,044	71,220	28
Oregon	1	294,690	44,204	80,122	2,829	17,470	18,912	119,333	40 5-10
Colorado	3	1,083,019	162,453	157,645	28,926	500	125,685	312,756	28 9-10
Montana	1	95,168	14,275	11,357	11,362	190	6,589	29,498	31
Utah	1	206,450	30,968	20,680	2,009	.....	15,570	38,259	18 4-10
Idaho	1	73,421	11,013	22,055	9,051	.....	1,759	32,865	44 8-10
Total	1,414	419,787,829	62,968,177	36,247,168	2,058,989	10,743,600	51,732,763	100,782,520	24

Table of the state of the lawful money reserve—Continued. CITIES, *for quarter ending on the first Monday in* JULY, 1868.

Redemption cities.	Number of banks reporting.	Liabilities to be protected by a reserve of twenty-five per cent. of the amount.	Amount required as reserve.	Items of reserve.				Amount of available reserve.	Percentage of available reserve to liabilities.
				Legal Tenders.	Specie.	Compound int'st notes and three per cent. temporary loan certificates.	Amount due from approved associations in New York city, available for the redemption of circulating notes.		
Boston	46	$77,593,925	$19,398,481	$9,354,456	$2,261,301	$6,416,450	$9,020,112	$27,052,329	34 8-10
Albany	8	14,025,196	3,506,299	885,215	40,380	1,204,840	2,241,747	4,372,182	31 1-10
Philadelphia	30	53,596,743	13,399,186	10,118,245	233,714	6,668,200	2,774,787	19,794,946	36 8-10
Pittsburg	16	17,197,502	4,299,375	2,234,157	41,521	894,470	1,645,202	4,815,350	27 9-10
Baltimore	13	19,687,011	4,921,753	3,011,497	430,196	1,414,660	1,304,198	6,160,551	31 2-10
Washington	4	3,940,517	985,129	146,653	61,804	559,540	317,371	1,085,368	27 5-10
New Orleans	2	2,103,463	525,866	471,315	102,683	.....	160,533	734,531	34 8-10
Louisville	4	1,249,750	312,438	237,077	340	83,270	68,415	389,102	31
Cincinnati	7	10,610,077	2,652,519	1,165,595	84,664	770,400	809,492	2,830,151	26 6-10
Cleveland	5	5,821,847	1,455,462	337,980	14,529	373,960	527,801	1,254,270	21 5-10
Chicago	14	18,975,436	4,743,859	3,177,557	46,162	846,720	2,417,924	6,488,363	34 2-10
Detroit	4	5,131,882	1,282,970	506,208	1,687	198,540	828,890	1,535,325	29 9-10
Milwaukee	5	3,144,081	786,020	374,977	10,534	100,750	530,435	1,016,696	32 2-10
St. Louis	8	11,992,281	2,998,070	1,364,513	67,412	647,470	1,393,342	3,472,737	28 9-10
Leavenworth	2	1,040,340	260,085	109,665	2,029	28,160	61,347	201,201	19 3-10
Total	168	246,110,049	61,527,512	33,495,110	3,398,956	20,207,430	24,101,596	81,203,092	32 9-10
New York	57	247,703,974	61,925,993	30,423,822	15,297,976	33,427,190	.....	79,148,988	31 9-10

Table of the state of the lawful money reserve—Continued. STATES, *for quarter ending on the first Monday in* OCTOBER, 1868.

States and Territories.	Number of banks reporting.	Liabilities to be protected by a reserve of fifteen per cent. of the amount.	Amount required as reserve.	Items of reserve.				Amount of available reserve.	Percentage of available reserve to liabilities.
				Legal Tenders.	Specie.	Compound int'st notes and three per cent. temporary loan certificates.	Amount due from approved associations in the redemption cities available for the redemption of circulating notes.		
Maine	61	$13,150,366	$1,972,555	$1,090,129	$23,532	$80,350	$1,792,123	$2,986,134	22 7 10
New Hampshire	40	6,650,149	997,522	458,066	4,442	122,960	1,118,479	1,703,947	25 6-10
Vermont	40	8,414,338	1,262,151	691,488	15,087	142,330	927,925	1,776,830	21 1-10
Massachusetts	161	55,073,216	8,260,981	4,213,071	188,482	731,950	7,638,472	12,771,975	23 2-10
Rhode Island	62	19,240,527	2,886,079	1,412,625	25,982	289,910	2,289,973	4,018,490	20 9-10
Connecticut	81	30,295,938	4,544,391	2,182,190	91,917	531,330	3,688,105	6,493,542	21 4-10
New York	240	78,352,552	11,752,883	5,692,860	264,228	2,015,920	9,644,501	17,617,509	22 5-10
New Jersey	55	24,164,877	3,624,732	1,896,575	68,349	491,020	3,459,199	5,915,143	24 5-10
Pennsylvania	152	46,019,920	6,902,988	4,609,730	60,295	1,314,310	4,501,592	10,485,927	22 8-10
Delaware	11	2,778,110	416,717	205,713	4,773	106,680	339,123	656,289	23 6-10
Maryland	19	4,332,839	649,926	551,721	42,517	79,850	372,517	1,046,605	24 2-10
District of Columbia	1	139,720	20,958	14,392	322	250	14,065	29,029	20 8-10
Virginia	19	5,955,479	893,322	576,903	83,106	66,920	418,521	1,145,450	19 3-10
West Virginia	15	4,676,224	701,434	440,909	43,477	85,310	358,911	928,607	19 9-10
North Carolina	6	1,433,259	214,989	216,064	36,376	460	81,129	334,029	23 3-10
South Carolina	3	1,352,131	202,820	279,343	26,438	3,460	117,915	427,156	31 6-10
Georgia	8	3,624,672	543,701	791,778	36,901	127,460	425,975	1,382,114	38 1-10
Alabama	2	588,736	88,310	157,534	36,803	.....	9,844	204,181	34 7-10
Mississippi	1	40,500	6,075	17,450	.....	.....	659	18,109	44 7-10
Texas	4	1,262,815	189,422	185,192	217,903	.....	99,026	502,121	39 8-10
Arkansas	2	751,668	112,750	85,611	2,427	.....	38,209	126,247	16 8-10
Kentucky	11	2,812,531	421,890	371,131	6,482	26,020	248,185	651,818	23 2-10
Tennessee	12	4,559,839	683,976	597,856	30,371	53,590	294,128	975,945	21 4-10
Ohio	123	30,331,143	4,549,671	3,440,905	33,632	541,760	2,395,084	6,411,381	21 1-10
Indiana	70	19,496,571	2,924,486	2,478,047	71,156	193,980	1,298,872	4,042,055	20 7-10
Illinois	70	15,468,811	2,320,322	1,833,982	104,039	152,250	1,712,510	3,802,781	24 6-10
Michigan	38	7,194,969	1,079,245	890,921	19,934	79,830	803,320	1,794,005	24 9-10
Wisconsin	31	4,934,557	740,184	661,841	17,286	64,510	396,610	1,140,247	23 1-10
Iowa	44	9,987,718	1,498,158	1,370,525	43,525	35,540	737,406	2,186,996	21 9-10
Minnesota	15	3,816,459	572,469	559,928	11,992	10,950	314,799	897,669	23 5-10
Missouri	10	2,724,280	408,642	360,515	51,125	17,620	261,952	691,212	25 4-10
Kansas	3	562,856	84,428	83,964	1,155	3,260	71,922	160,301	28 5-10
Nebraska	4	2,514,649	377,197	261,789	26,232	6,240	975,572	1,269,833	50 5-10

Nevada	1	253,367	38,005	16,165	51,593	.....	13,163	80,921	31 9-10
Oregon	1	261,812	39,271	57,761	1,598	.....	19,418	78,777	30 1-10
Colorado	3	1,127,886	169,183	192,994	20,390	.....	168,709	382,093	33 9-10
Montana	1	136,894	20,534	33,500	16,200	.....	6,612	56,312	41 1-10
Utah	1	212,019	31,803	32,000	1,013	.....	2,420	35,433	16 7-10
Idaho	1	82,031	12,305	21,402	237	.....	3,596	25,235	30 8-10
Total	1,422	414,776,428	62,216,475	39,034,570	1,781,317	7,376,020	47,060,541	95,252,448	22 9-10

Table of the state of the lawful money reserve—Continued. CITIES, *for quarter ending on the first Monday in* OCTOBER, 1868.

Redemption cities.	Number of banks reporting.	Liabilities to be protected by a reserve of twenty-five per cent. of the amount.	Amount required as reserve.	Items of reserve.				Amount of available reserve.	Percentage of available reserve to liabilities.
				Legal Tenders.	Specie.	Compound int'st notes and three per cent. temporary loan certificates.	Amount due from approved associations in New York city available for the redemption of circulating notes.		
Boston	46	$72,159,413	$18,039,853	$7,761,879	$777,703	$6,345,010	$6,992,376	$21,876,968	30 3-10
Albany	8	13,073,716	3,268,429	1,028,154	16,329	944,490	2,706,129	4,695,102	35 9-10
Philadelphia	30	52,395,965	13,098,991	7,951,090	186,065	7,485,220	1,099,173	16,721,548	31 9-10
Pittsburg	16	15,548,966	3,887,242	2,259,766	103,281	900,570	1,309,227	4,572,844	29 4-10
Baltimore	13	18,423,410	4,605,853	2,241,071	277,973	1,356,410	1,315,709	5,191,163	28 2-10
Washington	4	4,060,082	1,015,021	133,028	18,010	655,730	253,066	1,059,834	26 1-10
New Orleans	2	1,927,261	481,815	596,600	99,599	.....	52,714	748,913	38 9-10
Louisville	4	1,370,396	342,599	276,054	2,900	55,870	67,959	402,783	29 4-10
Cincinnati	7	10,644,031	2,661,008	1,244,965	5,594	609,290	813,687	2,673,536	25 1-10
Cleveland	5	5,581,144	1,395,286	458,812	1,786	427,290	660,731	1,548,619	27 7-10
Chicago	13	19,089,874	4,772,469	3,420,730	41,522	857,540	2,427,647	6,747,439	35 3-10
Detroit	4	4,657,468	1,164,367	471,720	338	202,910	1,036,417	1,711,385	36 7-10
Milwaukee	5	2,698,345	674,586	499,354	9,935	50,000	341,624	900,913	33 4-10
St. Louis	8	11,333,468	2,833,367	1,450,155	55,779	617,250	700,684	2,823,868	24 9-10
Leavenworth	2	1,042,210	260,553	107,273	467	10,660	127,594	245,994	23 6-10
Total	167	234,005,749	58,501,439	29,900,651	1,597,281	20,518,240	19,904,737	71,920,909	30 7-10
New York	56	206,164,901	51,541,225	23,518,254	8,370,846	35,699,470	.....	67,588,570	32 8-10

STATEMENT OF LOANS AND DISCOUNTS MADE BY NATIONAL BANKING ASSOCIATIONS, 1867.

States and Territories.	Number of distinct loans and discounts.	Aggregate amount of loans and discounts.	Average amount of each loan and discount.	Average time of each loan and discount.
				Days.
Maine	37,838	$50,703,349 37	$1,340 00	95
New Hampshire	13,329	11,030,942 20	827 00	95
Vermont	30,652	19,085,570 80	623 00	69
Massachusetts	182,300	392,562,183 16	2,153 00	90
Rhode Island	27,058	67,036,311 10	2,477 00	102
Connecticut	83,200	105,467,506 31	1,268 00	86
New York	545,322	1,668,141,362 30	3,059 00	62
New Jersey	111,830	84,098,828 11	752 00	75
Pennsylvania	274,182	352,138,245 20	1,284 00	71
Delaware	13,439	10,258,133 14	763 00	72
Maryland	45,396	59,094,941 02	1,302 00	54
District of Columbia	7,814	4,689,302 09	600 00	64
Virginia	23,667	18,757,303 36	793 00	66
West Virginia	9,363	7,810,086 91	834 00	77
North Carolina	4,169	3,967,136 21	951 00	54
Georgia	8,174	18,156,271 47	2,221 00	39
Alabama	728	1,638,463 50	2,250 00	60
Texas	851	1,615,071 89	1,898 00	50
Arkansas	1,765	1,795,782 11	1,017 00	49
Kentucky	7,114	11,427,829 62	1,606 00	91
Tennessee	7,810	14,116,503 32	1,807 00	50
Ohio	75,454	147,287,568 46	1,952 00	70
Indiana	43,880	48,674,671 07	1,109 00	74
Illinois	65,395	105,645,384 90	1,615 00	65
Michigan	35,518	33,606,901 10	946 00	65
Wisconsin	30,279	22,491,388 40	742 00	62
Minnesota	13,810	9,906,349 58	717 00	66
Iowa	29,008	21,785,700 45	751 00	74
Missouri	14,669	39,660,096 85	2,704 00	72
Kansas	1,650	1,471,809 63	892 00	55
Nebraska	3,251	2,737,775 35	842 00	70
Oregon	252	178,659 31	708 00	72
Colorado Territory	1,755	1,715,399 94	977 00	89
Utah Territory	220	592,275 30	2,694 00	90
Montana Territory	85	240,646 00	2,831 00	60
Idaho Territory	65	96,327 19	1,482 00	55
Louisiana	3,991	11,322,588 36	2,837 00	60
Total	1,755,283	3,351,004,665 08	1,909 00	71

NOTE.—The banks in Mississippi, (2,) South Carolina, (2,) and Nevada, (1,) in all five banks, not having reported, are not included in above.

STATEMENT SHOWING THE AMOUNT AND RATE OF TAXATION, (UNITED STATES AND STATE,) OF THE NATIONAL BANKING ASSOCIATIONS FOR THE YEAR ENDING DECEMBER 31, 1867.

States and Territories.	Capital.	Amount of taxes paid to United States.	Rate per ct. of United States taxation.	Amount of taxes paid to and assessed by State authorities.	Rate per cent. of State taxation.	Total amount of taxes paid to the United States and State authorities.	Rate per ct. of United States and State taxation on capital.
Maine	$9,085,000 00	$180,119 00	.02	$141,225 64	.015	$321,344 64	.035
New Hampshire	4,735,000 00	88,772 90	.019	93,178 83	.019	181,951 73	.038
Vermont	6,510,012 50	122,213 57	.019	144,163 50	.022	266,377 07	.041
Massachusetts	79,932,000 00	1,616,824 50	.0202	1,562,128 10	.02	3,178,952 60	.0402
Rhode Island	20,364,800 00	324,844 25	.015	195,355 32	.01	520,199 57	.025
Connecticut	24,584,220 00	434,440 35	.017	387,146 26	.016	821,586 61	.033
New York	116,494,941 00	3,022,662 16	.0261	4,058,706 11	.0348	7,081,368 27	.0609
New Jersey	11,333,350 00	253,359 31	.022	223,106 28	.02	476,465 59	.042
Pennsylvania	50,277,795 00	1,242,037 40	.0247	278,268 04	.0055	1,520,305 44	.0302
Maryland	12,590,202 50	260,261 25	.0206	166,054 11	.0131	426,315 36	.0337
Delaware	1,428,185 00	32,620 68	.0228	1,260 61	.0008	33,881 29	.0236
District of Columbia	1,350,000 00	15,329 45	.0133	3,285 94	.0028	18,615 39	.0161
Virginia	2,500,000 00	48,344 81	.0193	13,925 66	.0055	62,270 47	.0248
West Virginia	2,216,400 00	46,966 34	.021	51,457 38	.023	98,423 72	.044
Ohio	22,404,700 00	514,681 46	.0229	520,951 20	.0232	1,035,632 66	.0461
Indiana	12,867,000 00	278,797 60	.0216	200,372 29	.0155	479,169 89	.0371
Illinois	11,620,000 00	321,406 24	.0276	231,917 00	.02	553,323 24	.0476
Michigan	5,070,010 00	111,789 56	.022	68,061 41	.0134	179,850 97	.0354
Wisconsin	2,935,000 00	76,583 25	.0261	62,011 51	.021	138,594 76	.0471
Iowa	3,992,000 00	106,349 34	.0266	88,281 27	.0221	194,630 61	.0487
Minnesota	1,660,000 00	39,132 43	.02	29,522 20	.013	68,654 63	.033
Kansas	400,000 00	10,229 23	.025	7,801 08	.02	18,030 31	.045
Missouri	7,559,300 00	133,141 77	.014	189,247 69	.02	322,389 46	.034
Kentucky	2,885,000 00	59,816 01	.021	17,466 77	.006	77,282 78	.027
Tennessee	2,100,000 00	52,459 82	.027	27,974 80	.014	80,434 62	.041
Louisiana	1,300,000 00	35,894 28	.0276	20,041 58	.0154	55,935 86	.043
Nebraska	250,000 00	10,734 67	.0429	7,014 39	.028	17,749 06	.0709
Colorado	350,000 00	9,701 72	.0277	1,615 00	.0046	11,316 72	.0323
Georgia	1,700,000 00	40,844 75	.025	6,050 46	.004	46,895 21	.029
North Carolina	583,300 00	9,048 71	.0155	5,144 31	.0088	14,193 02	.0243
Alabama	500,000 00	8,762 52	.0175	3,829 49	.0095	12,592 01	.027
Oregon	100,000 00	1,623 86	.024	.....	.....	1,623 86	.024
Texas	576,430 00	6,865 36	.0119	2,149 34	.0037	9,014 70	.0156
Arkansas	200,000 00	5,745 38	.0287	1,350 99	.0068	7,096 37	.0355
Utah	150,000 00	1,887 42	.0125	1,097 00	.0073	2,984 42	.0198
Montana	100,000 00	837 31	.0083	560 00	.0056	1,397 31	.0139
Idaho	100,000 00	478 65	.0047	1,405 36	.014	1,884 01	.0187
Total	422,804 666 00	9,525,607 31	2¼	8,813,126 92	2.082	18,338,734 23	4.332

Statement showing the amounts and kinds of United States bonds held by the Treasurer of the United States to secure the redemption of the circulating notes of national banks on the 30th day of September, 1868.

Description of securities.	Amounts.
Registered bonds—Act of June 14, 1858	$805,000
Registered bonds—Act of June 22, 1860	59,000
Registered bonds—Act of February 8, 1861	3,487,000
Coupon bonds—Act of February 8, 1861	1,000
Coupon bonds—Act of March 2, 1861	16,000
Registered bonds—Acts of July 17 and August 5, 1861	58,611,000
Coupon bonds—Acts of July 17 and August 5, 1861	9,000
Registered bonds—Act of February 25, 1862	65,063,300
Coupon bonds—Acts of February 25, 1862	4,200
Registered bonds—Act of March 3, 1863	34,142,050

Registered bonds—Act of March 3, 1864, 5 per cent.....	88,596,150
Coupon bonds—Act of March 3, 1864, 5 per cent.....	10,000
Registered bonds—Act of June 30, 1864.....	38,045,000
Registered bonds—Acts of July 1, 1862, and July 2, 1864..	9,263,000
Registered bonds—Act of March 3, 1864, 6 per cent.....	$3,503,500
Registered bonds—Act of March 3, 1865, first series.....	27,218,100
Registered bonds—Act of March 3, 1865, second series....	10,714,100
Registered bonds—Act of March 3, 1865, third series.....	2,287,550
Registered bonds—Act of March 3, 1865, fourth series....	185,000
Total.....	342,019,950

REPORTS.

The national currency act requires every association to make a report, exhibiting in detail its resources and liabilities on the first Monday of January, April, July and October, of each year. In addition to this, every association is required on the first Tuesday of each month to make a statement, exhibiting the average amount of loans and discounts, specie and other lawful money, deposits, and circulation; and banks not located in the cities named in section 31 of the act are required also to return the amount due them available for the redemption of their circulation.

The quarterly reports, coming, as they do, upon a certain specified day, known in advance, and for which the amplest preparation may be made, can hardly be expected to present the actual working condition of the banks. They are, of course, careful to exhibit the full amount of reserve required, and otherwise a full compliance with all the important provisions of the law. But it is in the large cities, especially in New York, that this plan proves most objectionable. Gold and stock speculators, knowing that at a certain time the banks will make it a point to have a full supply of lawful money in their vaults, get up combinations for the purpose of producing a scarcity of legal-tender notes, and a stringent money market, so as to depress the market for government, State, railroad, and other securities. National banks, held firmly to the requirements of the law, are seriously embarrassed by such trickery. Their necessities compel them to have the lawful money at any hazard. Besides the damage resulting from an unnecessary and forced depression of public securities, regular commercial transactions are impeded, suspended, or forced to be carried on at ruinous rates, owing to the artificial stringency thus produced. It is becoming more manifest, as one quarter succeeds another, that the evil is becoming more and more intolerable. Honest industry, regular trade, and legitimate business of every kind, which depend upon the banks for their usual facilities, are subjected to great inconvenience, hardship, and loss, through the abuses thus practiced.

This state of things calls for a prompt and efficient remedy. This

may be found in an amendment to section 34 of the act, authorizing the Comptroller of the Currency to call upon the banks for five detailed statements or reports during each year, fixing upon some day that is past for the date of the report. In this way the condition of the banks may be ascertained at irregular intervals, without previous preparation on their part; and the precise period when the reports will be called for being unknown to the public, outside operators will be prevented from conspiring against the banks and the honest trade of the country.

This subject is commended to the early attention of Congress.

BANKS IN VOLUNTARY LIQUIDATION.

Section 42 of the currency act provides that any association may go into liquidation and be closed by a vote of shareholders owning two-thirds of its stock; that due notice of such action shall be published, &c.; and at any time after the expiration of one year from the publication of such notice, the said association may pay over to the Treasurer of the United States the amount of its outstanding notes in lawful money of the United States, and take up the bonds which it has on deposit with the Treasurer as security for such circulating notes—leaving it optional with the bank or its representatives to take up the bonds, or not.

Under this provision a bank may go into liquidation, pay off its depositors and other creditors, do no business, have no existence as a bank of discount and deposit, and yet reap all the benefits of a circulation guarantied by the government. In some cases the ownership has been concentrated in the hands of two or three individuals, who continue to do business as private bankers, avoid taxation, evade the requirements of the currency act, and still retain the most profitable feature of a national bank.

To correct abuse of this kind, it is suggested that national banking associations which go into voluntary liquidation be required to provide for their outstanding circulation in lawful money, and take up their bonds within three or six months; in default of which, the Comptroller shall have power to sell their bonds at public auction in New York city, and, after paying to the Treasurer the amount of the outstanding circulation of the bank in lawful money, to pay over any excess realized from the sale of the bonds to the association or its legal representatives.

Banks that are winding up for the purpose of consolidating with other banks, or for the purpose of reorganizing at some other and more desirable points, should be excepted from the foregoing requirements.

A CENTRAL REDEEMING AGENCY.

The opinion was expressed in the last annual report from this office that it was important that a system of redemptions for national bank notes should be established as early as practicable, by means of which they should be made convertible into the lawful money of the country, whether it be paper or gold, at the principal centre of trade. Without

repeating the argument then made, the conviction is again expressed that only by rigid, unfailing redemptions at a central point, can the bank currency of the country be kept at a uniform par value.

A prevalent objection to this doctrine is, that it would render the country banks tributary to New York. While there is strong reason to believe this objection would prove to be unfounded, yet it may be entirely removed by authorizing the national banks of the country to take the whole matter into their own hands. If Congress should provide by law for the organization of a national bank in New York city, without circulation, in which every national bank should be required to become a stockholder in proportion to its surplus fund, a bank with a capital of from ten to fifteen or twenty millions could be established, which would become the redeeming agency of the whole country, and the clearing-house of all national bank notes in circulation. It would be owned, controlled, and managed by the banks themselves for their benefit, and in their interest. It should have one department devoted exclusively to redemptions and exchanges of currency, and another department devoted to a general banking business. The latter department could be made to pay all the expense of the redemptions and exchanges, and yield a revenue to the stockholders in addition, which would be so much interest on their surplus funds thus invested. Such an institution would prove of incalculable benefit to the banking, commercial, and industrial interests of the country. It would place the bank circulation of the country at once upon the soundest footing, and demonstrate practically the fact that the banks stand ready to make their issues not only redeemable, but actually convertible at all times in the great markets of the Union.

Moreover, such an agency, by becoming a place of deposit for that portion of the reserves kept in New York, would remedy the evils adverted to in my last report, growing out of the payment of interest on the balances of the country banks, and their consequent use by the New York city banks. The reserves, instead of being loaned on call to speculators and brokers, as is largely done at present, would be held exactly where they would be needed, and would be applied to just the purpose for which they were intended. They would be actual reserves, and at all times available as such; thus adding to the safety and the credit of the currency of the country, and carrying into practical operation the spirit and intent of the law on this subject.

This suggestion is earnestly commended to the consideration of Congress, as tending to reconcile the interests of all sections on the question of redemptions.

THE PERIODICAL STRINGENCY IN NEW YORK CITY.

A careful study of the bank statements of New York taken separately, and the application of the facts so obtained to the aggregate statement or abstract of the whole, affords valuable and instructive information.

The abstract shows the total of loans to be $163,634,000.

An examination of the statements in detail shows the character of the loan to be substantially as follows:

Commercial or business paper	$90,000,000
Demand loans	68,500,000
Accommodation loans	3,500,000
Suspended loans	1,500,000
Total	163,500,000

Nine-sixteenths, or rather more than half the loan, is legitimate business paper; the balance is upon call, or for accommodation. The amount loaned on call for commercial purposes is not stated; but reliable information leads to the belief that it is very small. The customs and necessities of trade are of such a character as to preclude loans of this kind. The merchant, with his capital invested in trade, must know when his liabilities are to mature, in order that he may be prepared to meet them. It would be unsafe for him to use money in his business which he is liable to be called on to pay at any moment. Consequently, merchants and others in business where the profits are regular and legitimate, yielding a fair return to skill and industry, cannot afford to borrow money on call. Dealers in money, stocks, and gold, constitute almost the only class of business men whose transactions are of such a nature as to make call loans desirable or profitable; and it is scarcely possible to avoid the inference that nearly one-half of the available resources of the national banks in the city of New York are used in the operations of the stock and gold exchange; that they are loaned upon the security of stocks which are bought and sold largely on speculation, and which are manipulated by cliques and combinations, according as the bulls or bears are, for the moment, in the ascendency.

In addition to this direct loan of $70,000,000, they furnish facilities by means of certified checks to the same class of operators to an amount ranging from $110,000,000 to $120,000,000 daily, (on the 5th of October the amount was $112,800,000,) and these checks are made to swell the amount of individual deposits. They are credited to depositors as money, and are circulated and treated as money by the banks and by their customers; yet, when ascertaining the amount of deposits upon which they must hold a reserve, or upon which they must pay taxes, the banks invariably deduct all such checks on hand. For instance, on the 1st Monday of October they reported:

Individual deposits	$224,170,000
But deducting checks on hand	112,800,000
They had actual deposits of	111,370,000

Taking the call loans and the certified checks together, the somewhat startling fact is developed, that the New York national banks furnish $70,000,000 of capital and $112,000,000 of credit, for speculation.

The use of certified checks is a direct inflation to that extent; which stimulates the stock market, and keeps the price of a large class of miscellaneous securities much above their actual value, so that the market is feverish and fluctuating, and a slight stringency reduces the prices. Taking advantage of an active demand for money to move the crops, west and south, shrewd operators form their combinations to depress the market by "locking up" money—withdrawing all they can control or borrow from the common fund; money becomes scarce, the rate of interest advances, and stocks decline. The legitimate demand for money continues; and, fearful of trenching on their reserve, the banks are straitened for means. They dare not call in their demand loans, for that would compel their customers to sell securities on a falling market, which would make matters worse. Habitually lending their means to the utmost limit of prudence, and their credit much beyond that limit, to brokers and speculators, they are powerless to afford relief. Their customers, by the force of circumstances, become their masters. The banks cannot hold back or withdraw from the dilemma in which their mode of doing business has placed them. They must carry the load to save their margins. A panic, which should greatly reduce the price of securities, would occasion serious if not fatal results to the banks most extensively engaged in such operations, and would produce a feeling of insecurity which would be very dangerous to the entire banking interest of the country.

The fact that a banking interest with capital and surplus of $100,000,000 can be, and has been repeatedly, placed at the mercy of a few shrewd, though bold and unscrupulous men, is evidence of some inherent defect in its management, and the foregoing statement may serve in some degree to show where the error lies:

1st. In demand or call loans to brokers and speculators, on collateral security, by which nearly one-half the active resources of the banks are used directly to foster and promote speculative operations.

2d. Certified checks or loans of credit to the same class of men, whereby stocks are inflated and immense operations are carried on daily upon fictitious capital.

3d. The payment of interest on bank balances; which, being payable on demand, must be loaned on call in order to avoid loss.

The necessity for making call loans is, in part, owing to the fact that a large fund, belonging to country banks, is held by the New York city banks, subject to the payment of interest. This fund is liable to be demanded at any time. But, bearing interest, it cannot be suffered to lie unemployed, and so *must* be loaned on call. It may be merely a coincidence; but on the first Monday of October, the bank deposits held by the New York city banks were $68,529,417, and the call loans reported were $68,500,000. These loans, as before stated, are made to brokers, stock and gold operators, on collateral security, and constitute a large portion of the capital used in speculation. Thus, by a vicious practice,

the reserve fund of the country is handed over to the tender mercies of Wall street and its purlieus.

Not content with the $70,000,000 so absorbed, a fictitious capital of $120,000,000 is created by means of certified checks, which, by an ingenious arrangement, after being traded on the street, are finally traded back to the banks that issue them, without materially increasing or diminishing the cash deposits. Many of the largest and best managed national banks in New York deprecate the practice herein set forth, and look with anxiety and alarm toward the final issue; but they are all involved in the danger. The failure of one or more institutions, through reckless management, would endanger the whole. If all bankers were wise and prudent, no law would be required to restrain them; but they are in the position of trustees—trustees for their stockholders, trustees for their depositors, and trustees for the public. If they habitually engage in practices dangerous to stockholders, depositors and the public, the law may be invoked to provide a remedy. It is not becoming that institutions organized under an act of Congress for the public good, should so far pervert their corporate powers and privileges as to work detriment to the public interests. If they regard legislative interference as arbitrary and tyrannical, they may have the option of conforming to the requirements of law, or of withdrawing from a system to which they add no strength.

A return to specie payments would be the best remedy for speculation; as every departure from specie value is the signal and incentive for its rise and reign. As a present corrective, however, it is recommended that national banks be prohibited by law from paying interest on bank balances, and also from certifying checks to be good which are not drawn against actually existing cash deposits standing to the credit of the drawer when the checks are made and presented.

PANICS.

Notwithstanding the fact, however, that the troubles to which the banking interest is liable are caused primarily by the disregard of sound principles on the part of the banks themselves, it is nevertheless true that they do recur from time to time, and that they are usually the cause of wide-spread disaster—disaster reaching far beyond the immediate circle in which the trouble originated, and extending into every branch of trade, and into every section of the country.

When money is abundant, the temptation is very great to find employment for as much of it as possible; and though the danger of too great extension is palpable, and has been demonstrated by experience, yet the majority of bankers are prone to go on, carrying full sail, until they find themselves in the breakers, repeating the same mistakes and suffering the same retributions which they themselves, or their predecessors, have before made and suffered. The facts must be taken as they are found to exist. Panics come; and while it would be wise to learn lessons of wis-

dom from experience, so as to avoid their recurrence, the fact that we are, and will probably continue to be, liable to panics as long as men make mistakes, or act in reckless disregard of established principles, should be duly considered. Recognizing this fact, it may not be without profit to ascertain the nature of the trouble that prevails in a time of financial pressure.

If banks habitually lend all their available means when times are easy, or when there is no extraneous demand for money, it is evident that when an extra demand arises, it can be met only by withdrawing or calling in loans previously made. For instance, during the summer months there is but little demand for money throughout the country generally, beyond the ordinary wants of regular trade, and a large surplus is accumulated in the large cities, principally in New York. The banks in New York, with their coffers full to overflowing, seek employment for their money, and loan freely as far as they can find borrowers, and at low rates. Their funds are thus absorbed, and to a considerable extent form the basis upon which a large amount of business is transacted. Abundance of money at low rates stimulates and builds up a certain kind of business, which comes to depend upon the banks for its activity and support. Meantime the grain crops of the West, and the cotton crops of the South, are gathered, and are made ready for shipment to market. Both are prime necessities to the country at large. They must go forward, and money is required to buy them and to move them. The demand is paramount and must be answered; but it can be met only by withdrawing money that has been absorbed and become the very life blood of a business built up and supported by its use.

The banks contract their loans, and murmurs are heard of stringency. The crops require all the money in the country to pay for them; but Wall street demands its share, insisting, and not without reason, that the banks encouraged its speculative operations by tendering means in abundance, and now to withdraw the accustomed support will be ruinous to its interests. The banks, interested so largely in the operations of their customers, cannot afford to call in their loans, or to cut off supplies; their own safety is at stake, and they must carry their customers through, or suffer with them the consequences of a dangerous convulsion, possibly of a fatal collapse.

This is substantially the history of a panic under the present order of things. Possibly it might be prevented by a proper conservatism exercised in season; but prudence is not the most distinguishing trait of the times. The important question, therefore, is how to relieve the public? There is not money enough in the country to meet all the demands at once. A suspicion that a financial institution is unable to respond to all demands, is almost fatal to its stability; and when confidence is unsettled, judgment loses its sway, and unreasoning panic follows.

THE REMEDY.

If the treasury of the United States could hold in reserve a certain amount of legal tender notes in excess of the amount of money in regular circulation, to be advanced to banking institutions at a specified rate of interest upon the deposit of United States bonds as collateral security, a source of relief would be established which would effectually prevent a monetary pressure from being carried to any ruinous extent.

This proposition is not anomalous or without precedent. In time of severe pressure, the Bank of England has been authorized by the Chancellor of the Exchequer to issue its notes in excess of the limitations prescribed in its charter. This was done in violation, or without authority, of law, upon the pledge by the government of an act of indemnity. In our government no power to make such pledges exists; and, therefore, any extraordinary provision of the character suggested must be authorized by law.

The measure is one of relief and protection to the interests of the public at large, and therefore justifiable. If the consequences of overtrading, speculation, and otherwise reckless conduct could be confined to the parties or institutions so overtrading or speculating, they might well be left to their own resources; but immense interests are involved which are in no way responsible for the trouble. A financial panic generally extends to commercial circles, and in several instances has damaged the trade and industry of the country to such an extent that its effects have been felt for years. Any measure that would mitigate or prevent such calamities would be a measure of national importance and a proper subject for congressional legislation.

SPECIE PAYMENTS.

The subject of specie payments naturally comes up whenever the currency question is discussed, and much ingenuity has been exercised in devising plans for an early resumption.

The principal obstacle to specie payments may be found in the statement of the public debt of the United States for the 1st of October, 1868, under the head of "Debt bearing no interest," as follows:

United States notes	$356, 021, 073 00
Fractional currency	32, 933, 614 17
Making together	388, 954, 687 17

of government notes circulating as money, and designed to take the place of gold and silver by being made "a legal tender for all debts, public and private, except duties on imports" and interest on the bonded debt. As long as the people prefer an inferior currency—inferior because irredeemable and inconvertible except at a heavy discount—they will have it to the entire exclusion of the precious metals. Whenever the people conclude that it is more economical to conduct the business of

the country on a specie basis, they can ordain specie payments by making provision through their representatives in Congress for the payment or withdrawal of the present depreciated paper currency issued and kept in circulation by the government. And whenever the people wish to restore the credit of the nation, they can do it through their representatives in Congress, by removing the only embarrassment that stands in the way—by directing that provision shall be made for the payment of a floating indebtedness amounting to $388,000,000, consisting of promises to pay that are never paid—and so establish the fact that the United States is a solvent debtor, able and willing to pay every debt as it becomes due. Specie payments and the restoration of public credit are within the reach, and depend upon the will, of the people of the United States.

FREE BANKING.

Whenever Congress shall inaugurate measures looking to the appreciation of United States notes to a gold standard, the effect of such measures will probably be to diminish the volume of such notes in circulation. To what extent the reduction would have to be carried in order to place them permanently on a specie basis, would at present be mere matter of speculation. Doubtless a large amount might be carried, with profit to the government and with benefit to the public.

As soon as the effect of such measures becomes apparent, by the gradual approach of legal tender notes to a par with gold, the restrictions imposed upon the issue of circulating notes by national banks may be safely removed, provided the establishment of a central redeeming agency in the city of New York, at which all national bank notes are redeemable at par, shall be required by law. Any inconvenience resulting from a reduction of legal tenders may thus be remedied, and the remedy will be in the hands of the only competent judge of the necessities of the case—the business public of the United States.

Respectfully submitted:

H. R. HULBURD,
Comptroller of the Currency.

Hon. HUGH McCULLOCH,
Secretary of the Treasury.

REPORT

OF

THE COMPTROLLER OF THE CURRENCY.

OFFICE OF THE COMPTROLLER OF THE CURRENCY,
Washington, November 10, 1869.

SIR: In compliance with the provisions of section 61 of the national currency act, I have the honor to present, through you, to the Congress of the United States the following report:

Since the last annual report nine national banks have been organized, of which eight are new associations, and one a conversion from a State bank, making the total number organized up to October, 1869, sixteen hundred and ninety-four.

A table exhibiting the number of banks, with the amount of capital, bonds deposited, and circulation, in each State and Territory, on the 30th of September, 1869, will be found on the first page of the Appendix to this report.

From the number of banks organized, above stated to be sixteen hundred and ninety-four, should be deducted seventy-four, leaving the number in active operation sixteen hundred and twenty.

The banks to be excluded are the following:

NEVER COMPLETED THEIR ORGANIZATION SO AS TO COMMENCE BUSINESS.

The First National Bank of Lansing, Michigan, No. 232.
The First National Bank of Penn Yan, New York, No. 169.
The Second National Bank of Canton, Ohio, No. 463.
The Second National Bank of Ottumwa, Iowa, No. 195.

SUPERSEDED BY SUBSEQUENT ORGANIZATION WITH THE SAME TITLES.

The First National Bank of Norwich, Connecticut, original No. 65; present No. 458.

The First National Bank of Utica, New York, original No. 120; present No. 1,395.

IN VOLUNTARY LIQUIDATION.

The First National Bank of Columbia, Missouri.
The First National Bank of Carondelet, Missouri.
The National Union Bank of Rochester, New York.
The National Bank of the Metropolis, Washington, D. C.

The First National Bank of Leonardsville, New York.
The Farmers' National Bank of Richmond, Virginia.
The Farmers' National Bank of Waukesha, Wisconsin.
The City National Bank of Savannah, Georgia.
The National Bank of Crawford County, Meadville, Pennsylvania.
The First National Bank of Elkhart, Indiana.
The First National Bank of New Ulm, Minnesota.
The Pittston National Bank, Pennsylvania.
The Berkshire National Bank of Adams, Massachusetts.
The Fourth National Bank of Indianapolis, Indiana.
The Kittanning National Bank, Kittanning, Pennsylvania.
The First National Bank of Providence, Pennsylvania.
The National State Bank of Dubuque, Iowa.
The Ohio National Bank of Cincinnati, Ohio.
The First National Bank of Kingston, New York.
The First National Bank of Bluffton, Indiana.
The First National Bank of Skaneateles, New York.
The First National Bank of Jackson, Mississippi.
The First National Bank of Downingtown, Pennsylvania.
The National Exchange Bank of Richmond, Virginia.
The Appleton National Bank, Appleton, Wisconsin.
The National Bank of Whitestown, New York.
The First National Bank of New Brunswick, New Jersey.
The First National Bank of Titusville, Pennsylvania.
The First National Bank of Cuyahoga Falls, Ohio.
The First National Bank of Cedarburg, Wisconsin.
The Commercial National Bank of Cincinnati, Ohio.
The Second National Bank of Watertown, New York.
The Second National Bank of Des Moines, Iowa.
The First National Bank of South Worcester, New York.
The National Mechanics and Farmers' Bank of Albany, New York.
The First National Bank of Plumer, Pennsylvania.

Since October 1 1868:

The First National Bank of Steubenville, Ohio.
The First National Bank of Danville, Virginia.
The First National Bank of Oskaloosa, Iowa.
The Merchants and Mechanics' National Bank of Troy, New York.
The National Savings Bank of Wheeling, West Virginia.
The First National Bank of Marion, Ohio.
The National Insurance Bank of Detroit, Michigan.
The National Bank of Lansingburg, New York.
The National Bank of North America of New York, New York.
The First National Bank of Hallowell, Maine.
The First National Bank of Clyde, New York.
The Pacific National Bank of New York, New York.

The Grocers' National Bank of the city of New York, New York.

The Savannah National Bank, Savannah, Georgia.

The First National Bank of Frostburg, Maryland.

The First National Bank of La Salle, Illinois.

The First National Bank of Dorchester, Massachusetts.

A statement showing the capital, bonds deposited to secure circulation, circulation delivered, circulation redeemed, and circulation outstanding October 1, 1869, of the foregoing banks, will be found in the Appendix.

NATIONAL BANKS WHICH HAVE FAILED TO REDEEM THEIR CIRCULATING NOTES, FOR WHICH RECEIVERS HAVE BEEN APPOINTED.

The First National Bank of Attica, New York, Leonidas Doty, receiver.*

The Venango National Bank of Franklin, Pennsylvania, Harvey Henderson, receiver.

The Merchants' National Bank of Washington, D. C., James C. Kennedy, receiver.

The First National Bank of Medina, New York, Edwin P. Healey, receiver.

The Tennessee National Bank of Memphis, Tennessee, William A. Hill, receiver.

The First National Bank of Newton, Newtonville, Massachusetts, D* Wayland Jones, receiver.

The First National Bank of Selma, Alabama, Cornelius Cadle, jr., receiver.

The First National Bank of New Orleans, Louisiana, Charles Case, receiver.

The National Unadilla Bank, Unadilla, New York, Lewis Kingsley, receiver.

The Farmers and Citizens' National Bank of Brooklyn, New York, Frederick A. Platt, receiver.

The Croton National Bank of the city of New York, C. P. Bailey, receiver.

The National Bank of Vicksburg, Mississippi, B. H. Polk, receiver.

The First National Bank of Keokuk, Iowa, O. C. Hale, receiver.

The First National Bank of Bethel, Connecticut, E. S. Tweedy, receiver.

Since last report but one bank has failed—The First National Bank of Rockford, Illinois, R. P. Lane, receiver.

During the past year the following dividends have been paid:

To the creditors of The First National Bank of Medina, New York, 38¾ per cent.

To the creditors of The Farmers and Citizens' National Bank of Brooklyn, New York, additional dividends of 32 per cent., making in all 87 per cent.

* Finally closed.

To the creditors of The Croton National Bank of the city of New York, an additional dividend of 25 per cent., making in all 75 per cent.

To the creditors of The Tennessee National Bank of Memphis, a dividend of 14 per cent. has been declared, but has not yet been paid, owing to a failure on the part of the leading creditor to present the proper vouchers.

A statement showing the capital, amount of United States bonds deposited to secure circulation, circulation delivered, circulation redeemed at the Treasury of the United States, and the amount outstanding October 1, 1869, of national banks in the hands of receivers, will be found in the Appendix.

NOTES IN CIRCULATION.

The following statement exhibits the number and amount of notes issued, redeemed, and outstanding, September 30, 1869.

	No. of notes.	Amount.
ONES.		
Issued	9, 589, 160	$9, 589, 160 00
Redeemed	904, 013	904, 013 00
Outstanding	8, 685, 147	8, 685, 147 00
TWOS.		
Issued	3, 209, 388	6, 418, 776 00
Redeemed	232, 224	464, 448 00
Outstanding	2, 977, 164	5, 954, 328 00
FIVES.		
Issued	23, 676, 760	118, 383, 800 00
Redeemed	985, 940	4, 929, 700 00
Outstanding	22, 690, 820	113, 454, 100 00
TENS.		
Issued	8, 094, 645	80, 946, 450 00
Redeemed	272, 495	2, 724, 950 00
Outstanding	7, 821, 150	78, 221, 500 00
TWENTIES.		
Issued	2, 269, 764	45, 395, 280 00
Redeemed	71, 655	1, 433, 100 00
Outstanding	2, 198, 109	43, 962, 180 00
FIFTIES.		
Issued	363, 523	18, 176, 150 00
Redeemed	22, 859	1, 442, 950 00
Outstanding	334, 664	16, 733, 200 00
ONE HUNDREDS.		
Issued	274, 799	27, 479, 900 00
Redeemed	25, 968	2, 596, 800 00
Outstanding	248, 831	24, 883, 100 00
FIVE HUNDREDS.		
Issued	13, 668	6, 834, 000 00
Redeemed	2, 585	1, 292, 500 00
Outstanding	11, 083	5, 541, 500 00

Number and amount of notes issued, &c.—Continued.

	No. of notes.	Amount.
ONE THOUSANDS.		
Issued	4,769	$4,769,000 00
Redeemed	2,415	2,415,000 00
Outstanding	2,354	2,354,000 00
Total amount of all denominations outstanding on the 30th day of September, 1869		299,789,055 00
Add for fragments of notes outstanding, lost, or destroyed, portions of which have been redeemed		840 45
Total		299,789,895 45

The following statement shows the amounts and kinds of United States bonds held by the Treasurer of the United States to secure the redemption of the circulating notes of national banks on the 30th day of September, 1869.

Registered bonds, act of June 14, 1858	$675,000
Registered bonds, act of June 22, 1860	35,000
Registered bonds, act of February 8, 1861	3,491,000
Coupon bonds, act of March 2, 1861	16,000
Registered bonds, acts of July 17 and August 5, 1861	58,830,050
Registered bonds, act of February 25, 1862	59,228,850
Coupon bonds, act of February 25, 1862	4,200
Registered bonds, act of March 3, 1863	33,345,900
Registered bonds, act of March, 3, 1864, 5 per cent	91,579,450
Coupon bonds, act of March 3, 1864, 5 per cent	10,000
Registered bonds, act of March 3, 1864, 6 per cent	2,753,500
Registered bonds, act of June 30, 1864	35,218,700
Registered bonds, acts July 1, 1862, and July 2, 1864	18,523,000
Registered bonds, act of March 3, 1865, 1st series	25,465,200
Registered bonds, act of March 3, 1865, 2d series	10,392,860
Registered bonds, act of March 3, 1865, 3d series	2,678,450
Registered bonds, act of March 3, 1865, 4th series	228,000
Total	342,475,100

In my report for 1867 I called the attention of Congress to the fact that, in several instances, notes prepared in the usual manner for issue to national banks had been purloined from this office. Two amounts larger than the rest were mentioned, to wit: $4,500 in fifty and one hundred dollar notes of The National City Bank of Lynn, Massachusetts, and $12,000 in fifty and one hundred dollar notes of The First National Bank of Jersey City, in addition to which several thefts of a single sheet had occurred, making in all $17,560. Suspicion at that time was directed to a colored man, who had been employed in the office from the time of its organization, in a confidential capacity, and who was then under arrest. The evidence against him, though very strong, was not considered to be conclusive, and it was thought best not to bring the case to trial at once,

but to wait and see what additional testimony might be developed by the lapse of time. During the past year, efforts made by the guilty party to avail himself of the stolen notes, furnishing conclusive proof of his guilt, he was tried in the criminal court of the District in August last, and convicted, but a motion in arrest of judgment was granted by the court for some defect in the indictment, and the criminal was discharged; he was at once rearrested on several other charges, and is now awaiting his trial on new indictments. Only about $1,400 of the stolen notes have been recovered, and it is a serious question whether provision should not be made for the payment of these stolen notes when found in the hands of innocent holders. Their similarity to the genuine issues of the same and other national banks, and the difficulty, to any but the most expert and skillful, in recognizing the forged signatures, make it impossible for the great majority of those who may handle money to distinguish the spurious from the genuine issues. The subject is respectfully submitted to the consideration of Congress.

REPORTS.

Under the act of Congress of March 3, 1869, three reports have been called for. The first call was made Tuesday, April 20, for a report showing the condition of the banks at the close of business on the previous Saturday, April 17.

The second call was made June 15, for a report showing the condition of the banks on Saturday, the 12th of June.

The third call was made October 13, for a report showing the condition of the banks on the 9th of that month.

The first report showed a larger number of banks than usual deficient in their reserve of lawful money, but generally in small amounts.

The second and third reports, successively, exhibited an improvement in this respect; and as they are regarded as setting forth the actual working condition of the banks, without manipulation or preparation, the results are far more valuable and gratifying. In fact, the two evils most complained of under the former system of reports, to wit: previous preparation on the part of the banks, and the opportunity afforded to speculators to manipulate the money market, have been almost entirely done away with. The banks habitually keep themselves in better condition, as a rule are less extended, and have more complete control of their affairs. If they carry out this policy a little more thoroughly, they will be less at the mercy of the borrowers, will be better able to protect the legitimate interests of their customers, and better entitled to the fostering care of the government.

LIQUIDATION.

As the law now stands, a bank may, by a vote of the shareholders owning two-thirds of its stock, go into liquidation and close up its

affairs. After the expiration of one year from the publication of notice to its bill-holders and creditors, as required by the statute, it may deposit with the Treasurer of the United States legal-tender notes for its outstanding circulation, and take up the bonds held as security therefor.

This section was undoubtedly intended to provide for the winding up of banks under the ordinary conditions incident to specie payments. The natural flow of notes to the place of their issue, when banks are paying specie, would cause a large portion of them to be redeemed during the year; and if the bank is solvent, and in good faith endeavoring to close up its affairs, the most of its creditors would probably be paid by the expiration of that period. So that, supposing the liquidation to have progressed so far that the bank is ready to distribute its capital among its stockholders, the law provides the manner in which the liquidation shall be completed, and the shareholders discharged from all further liability on account of its circulating notes, within a reasonable time.

In this view of the case the provisions of the statute are reasonable and proper. But, under existing circumstances, when bank notes remain in circulation until they are worn out, and when the use of the notes as money is so much more valuable to the holder than any gain he may realize from their redemption that he will not send them home for that purpose, the year provided in the law, and the purpose of that provision, are of no moment whatever. Banks go into liquidation, and call upon note-holders to present their notes for redemption, by published notice, as required by law, but, during the whole year that follows, are not obliged to redeem anything except now and then a worn-out or defaced note. This facility of circulation, and the absence of all cost of redemptions, have probably induced some associations to take the legal steps for going into liquidation, with the expectation of continuing to reap the benefit of their outstanding circulation, while they continue to do a banking business under State laws, or as private bankers.

This is an abuse that could only be practiced under a suspension of specie payments, and during the absence of all demand for redemptions; but for the time it is none the less an abuse that requires correction. Congress provided by law for the organization of banking associations which should be subject to certain restrictions, and which should be authorized to issue notes for circulation as national currency. The privilege of issuing circulation was granted upon certain conditions. The privilege and the conditions go together. The law does not contemplate that the conditions should be cast aside or disregarded while the privilege is retained. Unfortunately the phraseology of the law seems not to forbid such operations, and the interference of Congress is necessary to prevent its privileges from being abused, and to protect those banks which are in good faith endeavoring to comply with all the requirements of the law.

It is respectfully recommended that Congress should pass an act in

one section, unconnected with any other subject, requiring all banks that go in liquidation to deposit legal-tender notes for their outstanding circulation, and take up their bonds deposited with the Treasurer of the United States as security for such circulation, within sixty days from the date of the vote of the shareholders to go into liquidation.

METHOD OF COLLECTING UNITED STATES TAXES.

Section 41 of the national banking law provides for taxing the circulation, deposits, and capital not invested in United States bonds, of national banks. The banks are required to report and pay these taxes semi-annually to the Treasurer of the United States. This they have done regularly since their organization, paying into the treasury several millions every year, without trouble, and without expense to the government.

Under the internal revenue law they are required to pay a special tax, and a dividend tax to the collectors of the several districts in which they are located.

It is recommended that all taxes imposed on national banks by the United States be made returnable and payable to the Treasurer of the United States, in the same manner that the larger portion of them now are.

This change would avoid confusion, save expense and trouble, collect the taxes more promptly, and probably more thoroughly, and place the whole business under the supervision of one officer, by which means, also, all information on the subject would be concentrated in one office, and so be more accessible.

SPECIAL EXAMINATIONS.

Perhaps no one thing has done more to promote the safety and sound management of national banks than their liability to examination without previous notice, by an agent appointed for that purpose, and probably no provision of the law was more unpopular among the banks when the law first went into effect; but the good results brought about, directly and indirectly, by such examinations, have fully vindicated the wisdom of the provision. The examiner's work is done silently, and the public are not aware of either the amount or the importance of the work done. In quite a large number of cases examinations have brought facts to light that have enabled the Comptroller to interpose in time to save banks from failure. Defalcations have been exposed; abuses, irregularities, and violations of law have been discovered and corrected.

The compensation allowed by law is totally insufficient to pay the right kind of men to undertake this duty. The labors of examiners are very severe, involving work by day and travel by night; while the rigid and careful scrutiny required to investigate fully the condition and ac-

counts of the banks is wearying and exhausting. In New York, Boston, and Philadelphia, the banks have cheerfully acknowledged the value and efficiency of examinations, by making voluntary provision somewhat commensurate with the arduous nature of the work and the importance of the results attained.

An increase in the amount of their compensation is a matter of necessity as well as a matter of justice; and Congress is urged to make provision for that purpose. All the expense involved in these examinations is now defrayed by the banks, under the law, and no appropriation of the public moneys will be necessary. An increase in the rate of compensation should be authorized by law, and provision made for its assessment upon the several banks examined, in proportion to the time and labor spent in the examination.

SALARIES.

In the organization of the National Currency Bureau, the Comptroller was authorized to "employ, from time to time, the necessary clerks to discharge such duties as he shall direct, which clerks shall be appointed and classified by the Secretary of the Treasury in the manner now provided by law."

Under this provision of law the highest salaries that could be paid were already fixed by laws passed nearly seventeen years ago. Perhaps in the beginning such provision was adequate for all practical purposes; but as the nature of the duties to be performed became more arduous, and the responsibilities greater, more difficulty has been experienced in securing the services of competent men in the various positions to be filled.

The leading places in this office, now filled by clerks receiving salaries of $1,800, require abilities of a high order and integrity of the most undoubted character—abilities and integrity that in other pursuits command much higher compensation. The salaries paid by banks to officers, for the performance of duties no more difficult and no more responsible than those devolving upon the clerks in this office, are from one hundred to three hundred per cent. greater. The consequence has been that, even after the services of the right kind of men have been secured by a course of instruction and training, the higher prices offered by private interests outside of the department constantly draw them from the department, and leave the same difficulties to be again encountered.

It seems to me evident, if the salaries fixed seventeen years ago were not then too high, when all the necessaries of life were much cheaper than now, that at the present time they are totally inadequate, in view of the enormous advances in the expense of living. It is not wise to place men upon a salary meagre and barely sufficient to furnish the necessaries of life—perhaps even insufficient for that—in positions of

responsibility where the most thorough integrity is required. It is exposing them to temptations to which they ought not to be subjected. And I earnestly recommend a general increase of salaries, and especially an increase in the salaries of those men who have the most important positions in the bureau.

The salary of the Deputy Comptroller is not equal to the importance and responsibility of his position. It is less than that now paid to men in the office of the Treasurer of the United States, whose positions are no more responsible and no more important, and very much less than the salaries paid by banking institutions in the large cities.

The position of the cashier of the division of issues is also one of labor and responsibility, as is that of the cashier of the division of redemptions.

The division of reports requires for its chief a man of peculiar qualifications. It is his duty to examine all reports received from the national banks, and he has charge also of all the correspondence growing out of them. The position is one of great labor, requiring no ordinary judgment and skill.

The various accounts kept in the office are extensive and complicated, requiring vast labor and skill.

The correspondence of the office is very extensive, and cannot be carried on as a mere matter of routine. It requires knowledge, intelligence, and ability to conduct it properly.

I would recommend that the Deputy Comptroller should be paid a salary of $3,500; the head of each division $2,400; two correspondents $2,200 each; and two book-keepers $2,000 each.

I do not think the government would lose anything by a fair compensation for honest labor. The duties would be more ably and satisfactorily performed, and the efficiency of the public service would be increased.

CENTRAL REDEEMING AGENCY.

The recommendation contained in my last annual report, looking to the establishment of an agency in the city of New York in the interest of the national banks, owned and controlled by them, for the redemption of all their issues and for the transaction of all their business, is again submitted to the consideration of Congress.

Careful observation and study during the year have confirmed the opinion then expressed as to the practicability and usefulness of such an institution. In the first place, it would be the clearing-house for all the bank circulation in the country—the reservoir to which it would flow, and from which it would be distributed again whenever and wherever needed.

A common misapprehension prevails as to the effect or practical result of general and uniform redemptions in New York, the impression being that such an arrangement would be onerous upon the country

banks, and would compel them to pay tribute to that city. No apprehension could be more unfounded. As long as every bank redeems independently at its own counter, or at the nearest redemption city—Cleveland, Pittsburg, Cincinnati, or St. Louis, and *not* in New York—funds that are par, that will pay debts in the latter city, will command a premium; and the old-time system of assorting and returning the notes of country banks for the purpose of procuring New York exchange, will be renewed. The brokers, finding they can make a profit in this way, will divide the territory between them, and will compel the banks to supply themselves regularly with gold and exchange to meet their demands.

On the other hand, if all agree to establish their own agency in New York, to take care of and to protect their own notes, all currency will be par in New York. There will be no running upon the banks, for there will be nothing to gain by it. A certain amount of currency will always be required to transact the business of the country, and this will be furnished proportionately by all the banks. The excess of circulation only, over and above this amount, will have to be redeemed; and this excess will also be equally apportioned to all the banks. So that, by the adoption of one general agency, as proposed, every bank in the country will have its just proportion of the benefit to be derived from the circulation; sharing also, in the same proportion, in the expense of redeeming any excess that there may be from time to time. And that is all there is in a uniform system of redemption in New York—equal rights and equal privileges to all, special hardships or heavy expense to none.

While such would be its salutary effect upon the banks, the people at large would rejoice in a currency of uniform value all over the country. All inconveniences growing out of local values would disappear, and we should have a truly *national* currency.

The proposed agency, being controlled and managed by the joint banking interests of the country as their own fiscal agent, would necessarily be a highly conservative institution, which would operate as a check upon the speculative tendencies of the times, and exercise a healthful influence upon the interests of trade. The banks would attend to their own business in New York, thus saving the expenses and profits heretofore paid to their correspondents; and they would have the satisfaction of knowing that their reserve funds, upon which so much depends, were not risked in Wall street speculations, or used in a manner detrimental to the public interests.

INTEREST ON DEPOSITS, AND CALL LOANS.

It is a common saying among bankers, when speaking of governmental supervision, "Take care of the currency; make that as secure as possible, but do not interfere with the *business* of the banks."

As far as practicable, business *should be* left free and untrammeled;

but, in this country, the business of issuing circulating notes is so involved with the lending of money; the ability to redeem on demand is so dependent on the amount of reserve kept on hand, and the character of the loan, that it is impossible to apply safeguards to the currency, without applying prudence and reasonable restrictions to the business of lending. If a bank pledges its capital by the deposit of bonds for the redemption of its circulation, it must so use that circulation as not to lose it; so invest it as to have it coming back with a profit; must use it judiciously, and safely, so that it will protect itself.

The government, in delegating the power to issue notes, has the right to prescribe the conditions upon which they shall be issued. If harsh or unnecessary conditions are imposed, they should be abrogated. If the conditions are wise and wholesome, they should be honestly observed. In prescribing rules, reference should be had to the object to be attained by the organization or incorporation of banking institutions. A charter to carry on the business of banking does not give power to buy and sell real estate, to ship goods to a foreign port, *or to engage in, or promote, any speculative operation.* The business of banking, properly conducted, is just as sure, and just as safe, as any other business; but it must be confined to its proper and legitimate sphere.

In the case of an incorporated banking association, its powers are prescribed in its charter. The law for the organization of national banks defines their powers with precision. They are empowered to exercise, under the act, "all such incidental powers as shall be necessary to carry on the business of banking, by discounting and negotiating promissory notes, drafts, bills of exchange, and other evidences of debt; by receiving deposits; by buying and selling exchange, coin, and bullion; by loaning money on personal security; by obtaining, issuing, and circulating notes," &c.—from which it will be seen that national banks are authorized, among other things, "*to receive deposits;*" that is, when money is brought to them, they are authorized to receive it.

They are not, however, authorized to *hire* deposits, and the law does not contemplate that they should solicit loans, under the guise of deposits, by the offer to pay interest on them. This practice, however, prevails extensively; and although, by implication, the law forbids it, the prohibition is not sufficiently explicit or positive to prevent it. The evil of the practice is this: All the banks in the leading cities, and nearly all the country banks, keep balances in New York, which by law constitute a portion of their reserve. The offer of interest on these balances is an inducement to keep as large a portion of their reserve on deposit in New York as the law will allow. Banks in the leading cities —which are named in section thirty-one of the act—are permitted to keep one-half their reserve in New York; and all other banks are permitted to keep three-fifths of their reserve there.

If, then, New York banks pay interest on these deposits, they must, of course, use them; and, as they are payable on demand, they must be

loaned on call. Call loans, as a rule, are made to brokers and operators in stocks and gold. Men engaged in trade cannot ordinarily afford to borrow money which they may be called upon to refund at an hour's notice.

It is, moreover, a prevalent opinion in the large cities that a large call loan is a good thing for a bank to have—that it makes a bank strong; and bank officers exhibit with evident satisfaction a large proportion of their loan payable on demand. And why? Money loaned on call is loaned at a lower rate of interest than when time is specified, and therefore cannot be more profitable. The truth is, they have a large deposit, upon which they are paying interest, that may be checked out at any moment. They are obliged to get something for the use of their money, but are afraid to give time, and so have to lend on call at low rates. They know their weakness in this respect, and feel obliged to fortify. The fortifications are, perhaps, the best possible; but if there were no weak points, there would be no danger to guard against. Perfect immunity from danger is better than the strongest fortification against an ever impending danger.

The most objectionable feature of the whole transaction, however, lies in the fact that the facility with which large loans can be effected, payable on call at low rates of interest, while commercial paper is only done at high rates, or is declined altogether, fosters speculation. Paragraphs like the following may be found in the money articles of the New York papers almost every day: "Money was fairly active on call at six to seven per cent.; commercial paper very dull; prime names ten per cent. to fifteen per cent.;" which means, money for speculation, six to seven per cent.; money for trade, ten to fifteen per cent.

Call loans are a necessity, when interest is paid on deposits. Competition for the accounts of country banks has led to the payment of interest. The New York banks see and deprecate the evils of the practice. They have several times attempted to put an end to it; but there will always be one or more banks which see their opportunity in such an effort, and will refuse to come into any arrangement intended to put a stop to it. The fact that the reserves of the country are hawked on the street, and are tendered and used for speculation, is sufficient ground for an interference of the law.

INTEREST, TAXES, AND PROFIT.

A bank that has its capital invested in interest-bearing securities, upon deposit of which it obtains an issue of circulating notes—which notes are to be used in its banking operations as money—can afford to lend its money at lower rates of interest than a bank that issues no notes for circulation, but lends its capital directly to its customers. The bank with circulation derives a portion of its profit from the interest on its securities, and a portion from its customers; while the bank without circulation derives all its profit from its customers. The delegation by

the government to banking associations of the power to issue notes to circulate as money, therefore, has a tendency to lower the rate of interest, and so to furnish cheap money to the business community.

That this is actually the case will appear upon investigation. The incorporated bank, doing business, and issuing circulation under the authority of the government, is uniformly regarded as the most reliable and reasonable source of accommodation by the business community. The private banker, depending upon the active use of his capital for his profit, must charge a much higher rate of interest to realize the same relative profit, supposing, of course, that the deposits of the two institutions are equal. A bank with $100,000 capital invested in securities bearing six per cent. interest, upon which it has received $90,000 in circulation, can lend that $90,000 at seven per cent., and yet realize a profit of $12,300 on its capital. The private banker, lending his capital of $100,000 directly, must charge his customers *twelve per cent.* to realize the same profit as the bank. The merchant and the tradesman know this, and expect to pay about that difference for the use of money when their necessities compel them to resort to private bankers or brokers.

The government, therefore, confers a greater boon upon the business public, by enabling it to borrow money at moderate rates of interest, than is generally realized or admitted. If all the banks were deprived of their circulation during the coming year, by act of Congress, the rates at which money could be borrowed in most sections of the country would be nearly doubled. The assumption by the government of the sole power to issue circulating notes would in no wise furnish relief. The United States can get its notes into circulation by paying them out for its expenses, and in payment of its debts. Not being able to do a banking business, however, it cannot lend them as a bank can, but would have to pay them out to its creditors, and, in the end, the notes would come into the hands of capitalists, who would lend them to the people at high rates of interest.

Taking the country as a whole, government and people as one, the profit gained by the government on the issue of its own notes—or, to use an expression in common use, the amount saved by the use of its own notes as a loan without interest—would not compensate for the additional tax upon the business of the country, caused by the advance in the rates of interest which would be likely to follow such a change in the circulation.

The amount loaned by the national banks to the business interests of the country will average about seven hundred millions; and for every addition of one per cent. to the rate of interest, a tax of not less than seven millions would be imposed on the business of the country. An increase of five per cent. to the rate of interest would make the tax not less than $35,000,000. This would be the actual money tax. But the depression caused by this additional burden, while it would be a very serious drawback to the prosperity of the country, could not well be

estimated in money. As a general thing, national banks lend money to their customers at about the legal rates; though, of course, there are exceptional cases.

Heavy taxation, also, is a burden on the business of the country; and like every other item that enters into the expense of conducting any business, the burden is borne in the end by the customer, or consumer. The tax upon gas companies, for instance, is added to the monthly bill of every consumer; and the tax upon banks is merely the addition of something to the rate of interest. Within a certain limit the tax is proper and legitimate. Every business should bear its share of the public burden; and if the rates are equitably and wisely adjusted, no complaint can be made. But in many sections the local taxation growing out of the expenses of the war is so high, as, when added to the United States taxes, to absorb a large proportion of the profits of the banks. Limited by law to the legal rate of interest, the bank must wind up, or its shareholders must be content with meagre dividends. Some banks in this predicament have actually taken the necessary steps to close up their affairs. Others, probably, have resorted to usury to increase their profits to the paying point.

Banking systems had been in operation in several States for a number of years before the war, that issued circulation based upon a deposit of State or United States bonds; and there was no limitation to the number of such banks, or to the amount of circulation they might issue. The deposit of United States bonds required as security for the circulation of national banks is nothing new, either in theory or practice. The fact that the United States paid the interest on its bonds in gold, which gold was sold by the banks at a premium, enabled them to make larger profits than were accustomed to be realized by State banks formerly doing business under similar circumstances. And the additional fact that the amount of circulation that could be issued by national banks was limited to $300,000,000—giving to the system the semblance of a monopoly—operated to produce an impression in the public mind that national banks were mines of wealth, realizing to their stockholders fabulous dividends. Some of the earlier banks, which sold their gold interest at from 100 to 180 per cent. premium, and which sold five-twenty bonds for the agents of the government to the amount of millions, probably did realize very large profits. But that day has passed.

The average dividends made by the banks during the last year will probably not exceed ten per cent. upon their capital, after deducting taxes and expenses. And as the premium on gold shall diminish, and the national banking system shall be made free to all who are able and choose to comply with its conditions, the average profit will conform to the law which governs all business. It will be a fair living profit, and no more.

SOUND CURRENCY.

The currency constitutes a very important part of the financial system of any country. Without a sound currency, a healthy financial condition is impossible. There are two requisites to a sound currency: convertibility and elasticity, and either of the two involves the other. The present currency of the United States possesses neither of these requisites. During the past year it has neither increased nor diminished, but stands about as it did this time last year*—$390,000,000 issued by the government, and $300,000,000 issued by the banks—neither redeemable nor convertible into anything more valuable, and therefore not susceptible of reduction by any ordinary process; each issued to the full limit allowed by law, with no power of expansion. The whole amount must be employed, whether it is wanted or not, and the limit cannot be exceeded, no matter how urgently more may be required. During the summer months, when there is rest in almost all branches of trade, the whole circulation was in market seeking employment; and now that autumn has come, with its bounteous harvests, when the farmer seeks to realize in money the reward of his labor and the interest of his capital for the whole year, when hundreds of millions must be distributed throughout the length and breadth of the land, we have the same unvarying amount of currency to use.

There are two kinds of currency in use: one issued directly by the government; the other issued by the banks. One kind would seem to be enough. The best should be preserved and perfected; the other withdrawn.

Applying the test first to the government issues, it is noted at once that they are not redeemable, and that no provision has ever been made for that purpose. The very moment they are made redeemable, they will cease to answer the purposes of currency; for, after they are redeemed, they are in the treasury and cannot again be paid out, except upon appropriations made by law, in accordance with the constitutional provision, and consequently cannot again be put in circulation, except as disbursements may be necessary to pay expenses and debts of the government. So that government circulation is not convertible, and therefore is not elastic, and cannot be made so without first making a radical change in the organization of the United States treasury, by

Statement of United States currency for 1868 *and* 1869.

November 1, 1868.		November 1, 1869.	
Legal tenders	$356, 021, 073	Legal tenders	$356, 113, 258
Fractional currency	33, 413, 985	Fractional currency	37, 035, 442
	389, 435, 058		393, 148, 700
			389, 435, 058
Total increase			3, 713, 642
Increase of legal tenders			92, 185
Increase of fractional currency			3, 621, 457

which it should be converted into a huge banking institution calculated to receive deposits, make loans, and otherwise perform the functions of a national bank.

The notes issued by national banks are nominally redeemable; and, if the legal-tender notes were out of the way, would be actually so, and, being issued by institutions in sympathy with trade, would contract and expand in obedience to the law of supply and demand, so that they would also possess the element of elasticity.

As to the comparative merits of the two kinds of currency, an impartial consideration would probably decide in favor of a bank circulation, principally because it would possess the power of adapting itself to the exigencies of trade. If government issues could be made to possess the same power of adaptation, the verdict would be in their favor. A candid investigation, however, cannot fail to develop the fact that there is no branch of the fiscal service adequate to the direct issue and care of such a currency as the country requires. The treasury system is so arbitrary in its collections and disbursements, so little in harmony with the business interests of the community, that it frequently absorbs large amounts of currency at most inopportune seasons, and disburses them with just as little regard to the wants of trade. If the treasury were redeeming its issues, large amounts would be presented for payment when money was plenty; but, as the return of this money to the channels of trade would depend upon the disbursements of the government, there could be no certainty that it would find its way back again when needed. In fact, the current operations of the treasury of the United States are regarded by business men as constituting a powerful, and, at the same time a very uncertain element, difficult to estimate, but which must necessarily be taken into consideration in all their business transactions. It is but justice, however, to say that the inconveniences and defects inherent in the present system have been obviated as far as possible by the present administration of the department, and where they could not be obviated entirely, they have been reduced to a minimum.

So long, therefore, as the collection of the revenues is liable to be a process of contraction, and their disbursement a process of inflation, the agencies through which collections and disbursements are effected cannot be regarded as suitable agencies for furnishing a sound currency to the people.

The argument that the government should furnish the currency in order that it may realize the profit upon its circulation is a common one, but will not bear scrutiny. There is no profit to the government on the circulation of an inferior currency. Only a sound currency will promote the material prosperity of the people; and the government can realize no profit from anything detrimental to their interests. As a currency, therefore, government issues are not profitable. As a loan without interest they are equally unprofitable, because they are injurious to the

national credit, and add enormously to the expenses of the government.

If, however, it is impossible for the government to comply with the conditions necessary in order to furnish a sound currency, it can at least provide for the withdrawal of its own notes, and prescribe the conditions upon which, and the agencies through which, a better currency may be provided. As before stated, there should be but one paper currency in the country, and that should emanate from a source that is influenced by, and is amenable to, the laws of trade. No check or limitation should be imposed upon it, other than the law of supply and demand.

FREE BANKING.

The banking system now in operation under the act of Congress, is doubtless an improvement upon the condition of things that prevailed prior to its inauguration. It may have imperfections, but most of them can be traced to the evils of an irredeemable currency. Abuses of various kinds are practiced, or tolerated, during a suspension of specie payments, that would disappear of themselves in a healthier financial atmosphere; and as observation and experience bring to light defects, they may be corrected by judicious legislation. Any radical changes now would affect so many and such great interests, that it would be safer and wiser to build upon and improve the present system, so as to bring it fully up to the requirements of the age and the country, than to undertake to build up a new one. It may be made the means of supplying a safe, convertible, and elastic currency in any volume that may be required by the business of the country.

No human intelligence can fix the amount of currency that is really needed; for it is continually varying, and is never fixed. If Congress limits the amount, there will always be those who will be dissatisfied, and who will seek legislation either for the purposes of contraction or expansion. And so long as the volume of currency depends upon legislative enactment, uncertainty and instability will pervade all financial operations.

If, however, notes for circulation are issued by a banking association composed of business men and capitalists, who are obliged to furnish security for the prompt and easy conversion of their issues into coin on demand, no other limit to the amount of such notes need be fixed than that imposed by self-interest. If there is a legitimate demand for currency, the notes will remain in circulation long enough to make their issue profitable. If there is not such a demand, the notes will be hurried home for conversion into coin. In this way the business demand for currency will get its supply; and the surplus, if any, will always be retired.

A self-adjusting system of currency is the only one that is adapted to the exigencies of trade, and to the wants of the country; and it is a

vital question at this time, whether this result can be reached before the return of specie payments. If possible at all, it is only possible through the agency of national banks. The machinery of the government is not adapted to such ends. And further, if possible, it is so only upon the adoption of a policy which will tend gradually but surely to a resumption of specie payments. It must be the gradual development of a process which shall absorb legal tenders, and put in their place a paper currency which shall at all times and under all circumstances be exchangeable for coin, either of paper* or of gold—a paper currency which shall gradually increase, while the legal tenders for its redemption shall gradually decrease, in such a ratio as a healthy demand for banking facilities may determine.

Where banking facilities were already abundant, there would be no inducement for the establishment of banking institutions for the issue of currency upon conditions that would inevitably diminish the volume of lawful money applicable to its redemption, and so gradually but surely enhance the cost of such redemption; while in other sections destitute in whole or in part of banking facilities for the legitimate demands of business, the necessity for banks and currency would justify the increase of bank circulation, notwithstanding the fact that by such increase the burden of its redemption would also be enhanced.

The entire South and many portions of the West are very much in need of the facilities and advantages to be derived from properly organized banking institutions, and their necessities would justify them in deliberately adopting measures to supply their wants, the direct tendency of which would be to hasten the return of specie payments in the manner indicated, to-wit, by the increase of bank notes, and the absorption of the legal-tender notes. As the former increased, the latter would diminish. As lawful money became scarce, its value would be enhanced, and would gradually approximate to par with gold. Thus specie payments may be reached through the agency of the national banks, and by the operation of natural causes. The process will not be rapid or spasmodic, because it will in all its stages, and in all its details, be governed by sound principles and conform to established laws. At the same time, the benefits and advantages of the national banking system would gradually become more equally diffused, until all sections would at length get their just and equal share, apportioned beyond cavil or objection, because regulated by the actual requirements of business.

While free banking may thus be established with safety, anterior to specie payments, conditioned only upon the withdrawal and cancellation of a legal-tender dollar for every dollar of bank currency issued, free banking upon a specie basis may also be permitted, with equal safety, and without delay. With details properly adjusted, banks may be established with authority to issue and put in circulation gold notes—limiting the amount only by the ability of the banks to comply with the

* Legal tenders.

necessary conditions, and to redeem their issues. Some provision of this kind is probably necessary in order to supply the Pacific and gold-producing States with a paper currency. A circulating medium, cheaper and more convenient than coin, has long been a necessity in those States, and would undoubtedly do much to promote activity, enterprise, and development. Experience has demonstrated to them that a currency composed exclusively of specie is not exempt from the fluctuations to which money and trade everywhere are subject, and has awakened an anxiety on the subject, which may lead to the introduction of paper money, if the opportunity is afforded.

By the establishment of banks on a specie basis, the resumption of specie payments is only anticipated; and familiarity with gold values will do much to relieve the subject of the mystery with which it is associated in the minds of many. Looking forward to the day when uniform values shall again prevail, it may be that, by wise legislation now, a banking system can be established, truly national in its character and scope, which will furnish a sound currency of uniform value in every State of the Union.

Respectfully submitted.

HILAND R. HULBURD,
Comptroller of the Currency.

Hon. GEORGE S. BOUTWELL,
Secretary of the Treasury.