

**NELSON ALDRICH**

**Monetary Commission**

**MISCELLANY**

1st draft

20 PER CENT.  
**2 NB**  
MONO. SEC.

**A BILL**

To incorporate the National Reserve Association of the United States.

and for other purposes.

- Sec. 1. Charter, Capital, and Location.
- Sec. 2. Membership, amount of capital to be subscribed by each bank, and amount required to be paid in.
- Sec. 3. Organization committee.
- Sec. 4. Location of branches and the division of country into districts.
- Sec. 5. Organization of local associations.
- Sec. 6. Election of directors by local associations.
- Sec. 7. Election of directors by branch associations.
- Sec. 8. Directors of the National Reserve Association.
- Sec. 9. Appointment of officers of the National Reserve Association.
- Sec. 10. Organization papers of the National Reserve Association.
- Sec. 11. Articles of association of the National Reserve Association.
- Sec. 12. Organization certificate of the National Reserve Association.
- Sec. 13. Ownership of stock in the National Reserve Association: Increase and reduction of capital.
- Sec. 14. Exemption from local and State taxation.
- Sec. 15. Executive committee of the National Reserve Association.
- Sec. 16. Auditing committee.
- Sec. 17. Executive officers of branches.
- Sec. 18. Executive officers of local associations.
- Sec. 19. List of shareholders.

**CHARTER, CAPITAL, AND LOCATION.**

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the National Reserve Association of the United States be, and it is hereby, created and established for a term of fifty years from the date of the execution of its organization certificate with an authorized capital equal in amount to twenty per centum of the paid-in and unimpaired capital of all banks eligible for membership in said National Reserve Association. Before the said association shall be authorized to commence business two hundred million dollars of the capital stock shall be subscribed and one hundred million dollars of the capital stock shall be paid in cash. The capital stock of said association shall be divided into shares of one hundred dollars each. The capital stock may be increased from time to time as subscribing banks increase their capital or as additional banks become subscribers or may be decreased as subscribing banks reduce their capital or leave the association by liquidation. The head office of the National Reserve Association shall be located in Washington, in the District of Columbia.

limited corporate powers to be put in this sec.

insert words "body corporate"

**MEMBERSHIP.**

SEC. 2. All national banks, and all banks or trust companies chartered by the laws of any State of the United States or of the District of Columbia, complying with the requirements for membership in the said National Reserve Association, hereinafter set forth, may subscribe to its capital to an amount equal to twenty per centum of the paid-in and unimpaired capital of the subscribing bank, and not more nor less; and each of such subscribing banks shall become a member of a local association as hereinafter provided. Fifty per centum of the subscriptions to the capital of the National Reserve Association shall be fully paid in; the balance of the subscriptions will remain a liability of the subscribers, subject to call and payment

and all

or any part thereof

requirements for membership in the said National Reserve Association, hereinafter set forth, may subscribe to its capital to an amount equal to twenty per centum of the paid-in and unimpaired capital of the subscribing bank, and not more nor less; and each of such subscribing banks shall become a member of a local association as hereinafter provided. Fifty per centum of the subscriptions to the capital of the National Reserve Association shall be fully paid in; the balance of the subscriptions will remain a liability of the subscribers, subject to call and payment thereof whenever necessary to meet the obligations of the National Reserve Association under such terms and in accordance with such regulations as the board of directors of the National Reserve Association may prescribe.

*or any part thereof*

A bank or trust company which is incorporated under the laws of any State may become a member of a local association and have all the rights and privileges therein; provided:

First. That (a) if a bank, it shall have a paid-in and unimpaired capital of not less than that required for a national bank in the same place; and that (b) if a trust company, it shall have an unimpaired surplus of not less than twenty per centum of its capital, and if located in a place having a population of fifty thousand inhabitants or less shall have a paid-in and unimpaired capital of not less than one hundred thousand dollars; if located in a city having a population of more than fifty thousand inhabitants and not more than two hundred thousand inhabitants, shall have a paid-in and unimpaired capital of not less than two hundred thousand dollars; if located in a city having a population of more than two hundred thousand inhabitants and not more than three hundred thousand inhabitants shall have a paid-in and unimpaired capital of not less than three hundred thousand dollars; if located in a city having a population of more than three hundred thousand inhabitants and not more than four hundred thousand inhabitants shall have a paid in and unimpaired capital of not less than four hundred thousand dollars; if located in a city having a population of more than four hundred thousand inhabitants shall have a paid-in and unimpaired capital of not less than five hundred thousand dollars.

*less than ten thousand inhabitants and not more than*

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MONOTYPE SECTION

Second. That it shall have and agree to maintain against its demand deposits a reserve of like character and proportion to that required by law of a national bank in the same location: *Provided, however,* That deposits which it may have with any subscribing national bank, State bank, or trust company in a city designated in the national banking laws as a reserve city or a central reserve city shall count as reserve in like manner and to the same extent as similar deposits of a national bank with national banks in such cities.

Third. That it shall have and agree to maintain against all other classes of deposits the percentages of reserve required by this act.

Fourth. That it shall agree to submit to such examinations and to make such reports as are required by law and to comply with the requirements and conditions imposed by this act and regulations made in conformity therewith.

The words "subscribing banks" when used hereafter in this act shall be understood to refer to such national banks, and banks or trust companies chartered by the laws of any State of the United States or of the District of Columbia, as shall comply with the requirements for membership hereinbefore defined.

ORGANIZATION COMMITTEE.

SEC. 3. The Secretary of the Treasury, the Secretary of Commerce and Labor, and the Comptroller of the Currency are hereby designated a committee to effect the preliminary organization of the National Reserve Association, and the necessary expenses of said committee shall be ~~paid out of any money in the Treasury not otherwise appropriated,~~ upon vouchers approved by the ~~three~~ members of said committee, and the Treasury shall be reimbursed by the National Reserve Association to the full amount paid out therefor.

Within sixty days after the passage of this act said committee shall provide for the opening of books for subscriptions to the capital stock of said National Reserve Association ~~in such places as the said committee may designate.~~ Before the subscription of any bank to the capital stock of the National Reserve Association shall be accepted, said bank shall file with the organization committee or with the National Reserve Association a certified copy of a resolution adopted by the board of directors of said bank accepting all the provisions and liabilities imposed by this act and authorizing the president or cashier of said bank to subscribe for said stock.

LOCATION OF BRANCHES AND DIVISION OF THE COUNTRY INTO DISTRICTS.

SEC. 4. When the subscriptions to the capital stock of the National Reserve Association shall amount to the sum of two hundred millions of dollars the organization committee hereinbefore provided shall forthwith proceed to select fifteen cities in the United States for the location of the branches of said National Reserve Association: *Provided,* That one branch shall be located in the New England States, including the States of Maine, New Hampshire, Vermont, Massachusetts, Rhode Island, and Connecticut; two branches in the Eastern States, including the States of New York, New Jersey, Pennsylvania, and Delaware; four branches in the Southern States, including the States of

*the Secretary of  
Agriculture,*

*payable out of the  
Treasury,*

vided, That one branch shall be located in the New England States, including the States of Maine, New Hampshire, Vermont, Massachusetts, Rhode Island, and Connecticut; two branches in the Eastern States, including the States of New York, New Jersey, Pennsylvania, and Delaware; four branches in the Southern States, including the States of Maryland, Virginia, West Virginia, North Carolina, South Carolina, Georgia, Florida, Alabama, Mississippi, Louisiana, Texas, Arkansas, Kentucky, Tennessee, and also the District of Columbia; four branches in the Middle Western States, including the States of Ohio, Indiana, Illinois, Michigan, Wisconsin, Minnesota, Iowa, and Missouri; four branches in the Western and Pacific States, including the States of North Dakota, South Dakota, Nebraska, Kansas, Montana, Wyoming, Colorado, New Mexico, Oklahoma, Washington, Oregon, California, Idaho, Utah, Nevada, and Arizona.

(Question of limits of districts to be taken up later)

When the cities in which the branches are to be located have been selected the organization committee shall forthwith divide the entire country into fifteen districts, with one branch of the National Reserve Association in each district.

The districts may be readjusted from time to time and new districts and new branches may be created by the directors of the National Reserve Association.

sd } transfer

ORGANIZATION OF LOCAL ASSOCIATIONS.

SEC. 5. All subscribing banks within a district shall group themselves, subject to the approval of the organization committee ~~or the National Reserve Association,~~ into local associations of not less than ten banks, with an aggregate capital and surplus of at least five millions of dollars, for the purposes hereinafter prescribed: *Provided,* ~~That not more than one such association shall be formed in any city,~~ and that the territory comprised in each association shall be contiguous: *Provided further,* That the territory included in the local associations comprising a district shall be so apportioned that every bank in said district shall be located within the boundaries of some local association: *And provided further,* That every subscribing bank shall become a member only of the local association of the territory in which it is situated.

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The local associations in each district may be readjusted from time to time and new associations may be created by the directors of the branch of said district with the approval of the National Reserve Association.

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**MONOTYPE SECTION**

The members of the local association shall join in articles of association, having been first authorized to do so by resolution of the board of directors of each of the member banks. These articles shall provide that the board of directors of the local association shall be authorized to discount or rediscount paper for any member thereof and to offer such paper for rediscount with the branch of the National Reserve Association for that district, the gain or profit accruing to the local association from said transactions to be distributed from time to time, after the payment of all expenses, among the several banks of the local association in proportion to the ratio which their capital and surplus bears to the aggregate capital and surplus of the members of the local association. In the event that the expenses shall exceed the earnings or that any losses shall occur upon any of the paper so rediscounted, the several banks composing the local association shall bear said expenses and losses in proportion to the ratio to which their capital and surplus bears to the aggregate capital and surplus of the members of the local association, and the directors of the local associations shall be authorized by the articles of association to levy an assessment for these purposes. The total amount of rediscounts by a local association with the National Reserve Association shall not at any time exceed the aggregate capital and surplus of the banks forming such local association. These articles, which must be approved by the board of directors of the National Reserve Association, shall be executed in triplicate, and one copy, together with the certified copy of the resolutions of the boards of directors authorizing the subscribing banks to sign them, shall be filed with the National Reserve Association, one copy shall be filed with the branch association, and one copy shall be retained by the local association.

Upon thirty days' notice in writing to each member bank the articles of association of the local association may be amended by a vote of three-fourths of the member banks by and with the approval of the National Reserve Association and in like manner as to vote and approval the local association may assume and exercise such of the powers and functions of a clearing house as are not inconsistent with the purposes of this act. The National Reserve Association may require any local association to perform such services in facilitating the domestic exchanges of the National Reserve Association as the public interests may require.

A local association may, by a vote of two-thirds of the members, suspend a bank from the privilege of membership for a failure for thirty days to maintain its reserves, or to make the reports required by this act, or for misrepresentation in any report or examination as to its condition, or as to the character or extent of its assets or liabilities, or for failure or for refusal for thirty days to comply with any of the provisions of this act. A suspension from a local association shall operate as a suspension from the privileges of the National Reserve Association.

~~ELECTION OF DIRECTORS BY LOCAL ASSOCIATIONS.~~

SEC. 6. Each local association shall have a board of directors, the number to be determined by the by-laws

*out.*

to comply with any of the provisions of this act. A suspension from a local association shall operate as a suspension from the privileges of the National Reserve Association.

~~ELECTION OF DIRECTORS BY LOCAL ASSOCIATIONS.~~

SEC. 6. Each local association shall have a board of directors, the number to be determined by the by-laws of the local association. Three-fifths of that number shall be elected by ballot cast by the representatives of the banks that are members of the local association, each bank having one representative and each representative one vote for each of the positions to be filled without reference to the number of shares which the bank holds in the National Reserve Association. Two-fifths of the whole number of directors of the local association shall be elected by these same representatives of the several banks that are members of the association, but in voting for these additional directors each representative shall be entitled to as many votes as the bank which he represents holds shares in the National Reserve Association. In neither case shall voting by proxies be allowed. The authorized representatives of a bank, as herein provided, must be either the president, vice president, or cashier of the bank he represents.

Each director when appointed or elected shall take an oath that he will, so far as the duty devolves upon him, diligently and honestly administer the affairs of such association and will not knowingly violate or willingly permit to be violated any of the provisions of this act.

The directors originally elected shall hold office until the second Tuesday in February immediately following their election, and thereafter the directors shall be elected annually on that date and shall hold office for the term of one year.

The board of directors of the local association shall have authority to make by-laws, not inconsistent with law, subject to the approval of the directors of the National Reserve Association.

~~ELECTION OF DIRECTORS BY BRANCH ASSOCIATIONS.~~

SEC. 7. Each of the branches of the National Reserve Association shall have a board of directors, the number, not less than twelve, to be fixed by the by-laws of the branch. These directors shall be elected in the following manner:

*of direct* ~~The board~~ of each local association shall elect by ballot a voting representative or proxy holder. One-half of the directors of the branch shall be elected by the vote of such representatives, each representative having one vote for each of the positions to be filled, without reference to the number of shares which the bank composing the association which he represents holds in the National Reserve

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Association. One-third of the directors shall be elected by the same voting representatives or proxy holders, but each voting representative at this election shall have a number of votes equal to the number of shares in the National Reserve Association held by all the banks composing the local association which he represents. The remaining one-sixth of the directors shall be chosen by the directors already elected and shall fairly represent the industrial, commercial, agricultural, and other interests of the district and shall not be officers or, while serving, directors of banks, trust companies, insurance companies, or other financial institutions. The manager of the branch shall be ex-officio a member of the board of directors of the branch and shall be chairman of the board.

Each director when appointed or elected shall take an oath that he will, so far as the duty devolves upon him, diligently and honestly administer the affairs of such association and will not knowingly violate or willingly permit to be violated any of the provisions of this act.

All the members of the board of directors of the branch except the ex officio member shall at the first meeting of the board be divided into three classes. One-third of the directors shall hold office until the first Tuesday in March immediately following the election; one-third of the directors shall hold office for an additional period of one year after the first Tuesday in March immediately following the election; the remaining one-third of the directors shall hold office for an additional period of two years after the first Tuesday in March immediately following the election. All elections shall be held on the first Tuesday in March of each year, and after the first election all directors shall be elected for a term of three years.

The board of directors of the branch shall have authority to make by-laws, not inconsistent with law, subject to the approval of the National Reserve Association.

DIRECTORS OF THE NATIONAL RESERVE ASSOCIATION,

SEC. 8. The National Reserve Association shall have a board of directors, to be chosen in the following manner:

First. Fifteen directors shall be elected, one by the board of directors of each branch of the National Reserve Association. In case the number of districts shall be increased hereafter, each additional district shall be entitled to elect an additional director.

Second. Fifteen directors shall be elected, one by the board of directors of each branch of the National Reserve Association, who shall fairly represent the industrial, commercial, agricultural, and other interests of the country, and who shall not be officers or, while serving, directors of banks, trust companies, insurance companies, or other financial institutions. In case the number of districts shall be increased hereafter, each additional district shall be entitled to elect an additional director of this class.

Third. Nine directors shall be elected by voting representatives of the various districts, each of whom shall cast a number of votes equal to the number of shares in the National Reserve Association held by the banks in the district which he represents. Not more than one of these directors shall be chosen from one district.

Fourth. There shall be seven ex officio members of the board, namely: The governor of the National Reserve Association, who shall be chairman of the board, two deputy governors of the National Reserve Association, the Secretary of the Treasury, the Secretary of Agriculture,

Managers should be provided for here

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a number of votes equal to the number of shares in the National Reserve Association held by the banks in the district which he represents. Not more than one of these directors shall be chosen from one district.

Fourth. There shall be seven ex officio members of the board, namely: The governor of the National Reserve Association, who shall be chairman of the board, two deputy governors of the National Reserve Association, the Secretary of the Treasury, the Secretary of Agriculture, the Secretary of Commerce and Labor, and the Comptroller of the Currency.

All the members of the board, except the ex officio members, shall at the first meeting of the board be divided into three classes. One-third of the directors shall hold office until the first Tuesday in April immediately following the election; one-third of the directors shall hold office for an additional period of one year after the first Tuesday in April immediately following the election; the remaining one-third of the directors shall hold office for an additional period of two years after the first Tuesday in April immediately following the election. All elections shall be held on the first Tuesday in April of each year, and after the first election all directors shall be elected for a term of three years.

Each director shall take an oath that he will, so far as the duty devolves upon him, diligently and honestly administer the affairs of such association and will not knowingly violate or willingly permit to be violated any of the provisions of this act.

The board of directors of the National Reserve Association shall have authority to make by-laws, not inconsistent with law, which shall prescribe the manner in which the business shall be conducted and the privileges granted to it by law exercised and enjoyed.

**APPOINTMENT OF OFFICERS OF THE NATIONAL RESERVE ASSOCIATION.**

SEC. 9. The governor of the National Reserve Association shall be selected by the President of the United States from a list of not less than three submitted to him by the board of directors of said association. The person so selected shall thereupon be appointed by the said board as governor of the National Reserve Association for a term of ten years, subject to removal for cause by a two-thirds vote of the board. There shall be two deputy governors, to be elected by the board, for a term of seven years, subject to removal for cause by a majority vote of the board. The two deputies first elected shall serve for terms of four years and seven years, respectively. In the absence of the governor or his inability to act the deputy who is senior in point of service shall act as governor. The board of directors shall have authority to appoint such other officers as may be provided for by the ~~articles of association or the~~ by-laws.

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*Articles of association*

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**MONOTYPE SECTION**

~~ORGANIZATION PAPERS OF THE NATIONAL RESERVE ASSO-~~  
~~CIATION.~~

SEC. 10. When the board of directors of the National Reserve Association is duly organized it shall call upon the subscribing banks for a payment of fifty per centum on the amount of their subscriptions to the capital stock of the association. When one hundred millions of dollars of such capital have been paid in the board of directors shall at once proceed to execute and file with the Comptroller of the Currency articles of association and an organization certificate as hereinafter provided.

*Modify*  
*Strike out*  
*(See p. 5)*

~~ARTICLES OF ASSOCIATION OF THE NATIONAL RESERVE~~  
~~ASSOCIATION.~~

SEC. 11. The articles of association shall specify in general terms the object for which the National Reserve Association is formed and shall contain such other provisions, not inconsistent with law, as the association may see fit to adopt for the regulation of its business and the conduct of its affairs. These articles shall be signed in duplicate by at least three-fourths of the directors of the National Reserve Association, one copy being retained by the National Reserve Association and the other filed with the Comptroller of the Currency. These articles may be amended at any time by the vote of three-fourths of the board of directors, a copy of the amendment to be filed with the Comptroller of the Currency.

*Strike out*

~~ORGANIZATION CERTIFICATE OF THE NATIONAL RESERVE~~  
~~ASSOCIATION.~~

SEC. 12. The organization certificate shall be executed by the directors of the National Reserve Association and shall specifically state:

- First. The title of said association.
- Second. That its head office shall be located at Washington, in the District of Columbia.
- Third. The amount of capital stock and the number of shares into which the same is to be divided.
- Fourth. The title and location of each bank holding stock in said association and the number of shares held by each and the amount paid thereon, which must in no case be less than fifty per centum of the amount of the capital stock subscribed for by said bank.
- Fifth. The fact that the certificate is made to enable such association to avail itself of the advantages of this act.

The organization certificate shall be signed by at least three-fourths of the directors of the National Reserve Association and acknowledged before a judge of a court of record or a notary public, and shall be so executed and acknowledged in duplicate, authenticated by the seal of such court or notary, one copy to be retained for the files of the association and one copy forwarded to the Comptroller of the Currency.

~~OWNERSHIP OF STOCK IN THE NATIONAL RESERVE ASSOCIA-~~  
~~TION, INCREASE AND REDUCTION OF CAPITAL.~~

SEC. 13. Shares of the capital of the National Reserve Association shall not be transferable, and under no circumstances shall they be owned otherwise than by the subscribing banks, nor may they be owned by any bank other than in the proportion herein provided. In case a subscribing bank increases its capital it shall thereupon subscribe for an additional amount of the capital of the National Reserve Association equal to twenty per centum of the bank's increase of capital, paying therefor its then book value as shown by the last published statement of

*stock*  
*hypothecated or*

SEC. 13. Shares of the capital of the National Reserve Association shall not be transferable, and under no circumstances shall they be owned otherwise than by the subscribing banks, nor may they be owned by any bank other than in the proportion herein provided. In case a subscribing bank increases its capital it shall thereupon subscribe for an additional amount of the capital of the National Reserve Association equal to twenty per centum of the bank's increase of capital, paying therefor its then book value as shown by the last published statement of said association. A bank applying for membership in the National Reserve Association at any time after its formation must subscribe for an amount of the capital of said association equal to twenty per centum of the capital of said subscribing bank, paying therefor its then book value as shown by the last published statement of said association. When the capital of the National Reserve Association has been increased either on account of the increase of capital of the banks in said association or on account of the increase in the membership of said association, the board of directors shall make and execute a certificate showing said increase in capital, the amount paid in and by whom paid. This certificate shall be ~~acknowledged before a judge of a court of record or a notary public and shall be~~ filed in the office of the Comptroller of the Currency. In case a subscribing bank reduces its capital it shall surrender a proportionate amount of its holdings in the capital of said association, and if a bank goes into voluntary liquidation it shall surrender all of its holdings of the capital of said association. The shares surrendered shall be canceled and the bank shall receive in payment therefor a sum equal to their then book value as shown by the last published statement of said association.

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If any member of the National Reserve Association shall become insolvent and a receiver be appointed, the stock held by it in the association shall be canceled and the balance, after paying all debts due by such insolvent bank to the association (such debts being hereby declared to be a first lien upon the stock), shall be paid to the receiver of the insolvent bank.

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→ paid-in

Whenever the capital stock of the National Reserve Association is reduced, either on account of the reduction in capital of members of the association or the liquidation or insolvency of any member, the board of directors shall make and execute a certificate showing such reduction of capital stock and the amount repaid to each bank. This certificate shall be ~~acknowledged before a judge of a court of record or a notary public and shall be~~ filed in the office of the Comptroller of the Currency.

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EXEMPTION FROM LOCAL AND STATE TAXATION.

SEC. 15. The National Reserve Association and its branches and the local associations shall be exempt from local and State taxation except in respect to taxes upon real estate.

Agreed

EXECUTIVE COMMITTEE OF THE NATIONAL RESERVE ASSOCIATION.

SEC. 15. The directors of the National Reserve Association shall annually elect from their number an executive committee and such other committees as the by-laws of the National Reserve Association may provide. The executive committee shall consist of nine members, of which the governor of the National Reserve Association shall be ex officio chairman and the two deputies and the Comptroller of the Currency ex officio members, but not more than one of the elected members shall be chosen from any one district.

Agreed

The executive committee shall have all the authority which is vested in the board of directors, except such as may be specifically delegated by the board to other committees or to the executive officers, or such as may be specifically reserved or retained by the board.

Agreed

AUDITING COMMITTEE.

SEC. 16. There shall be an auditing committee elected annually by the board of directors from among their number, excluding the members of the executive committee, of which the Secretary of the Treasury shall be ex officio chairman. It shall be the duty of this committee to audit the books of the National Reserve Association and of the branches and to make a public report of the result of such audit at least once a year.

a Board of examination

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board

statement

EXECUTIVE OFFICERS OF BRANCHES.

SEC. 17. Each branch shall have a manager and a deputy manager appointed from the district by the governor of the National Reserve Association with the approval of the executive committee and subject to removal at any time by the same authority. The powers and duties and length of service of the manager and deputy manager and of the various committees of the branches shall be prescribed by the by-laws of the National Reserve Association.

Agreed

EXECUTIVE OFFICERS OF LOCAL ASSOCIATIONS.

SEC. 18. The directors of each local association shall annually elect from their number a president, a vice president, and an executive committee, whose powers and duties and terms of office shall be determined by the by-laws of the local association, subject, however, to the provisions of this act.

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LISTS OF SHAREHOLDERS.

SEC. 19. The National Reserve Association shall cause to be kept at all times, at the head office of the association, a full and correct list of the names of the banks owning stock in the association and the number of shares held by each. Such list shall be subject to the inspection of all the shareholders and creditors of the association, and a copy thereof on the first Monday of July of each year, verified by the oath of the governor or deputy governor, shall be transmitted to the Comptroller of the Currency.

Agreed

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## EARNINGS AND DIVIDENDS.

SEC. 20. The earnings of the National Reserve Association shall be distributed in the following manner:

After the payment of all expenses and taxes the shareholders shall be entitled to receive annually four per centum on the paid-in capital, which minimum dividend shall be cumulative. Further net earnings shall be divided, one-half to go to the surplus fund of the National Reserve Association until said fund shall amount to twenty per centum of the paid-in capital, ~~one fourth to go to the United States~~, and one-fourth to the shareholders, but when the shareholders' dividends shall amount to five per centum per annum on paid-in capital they shall receive no additional dividends. After the shareholders receive five per centum on the paid-in capital the net earnings shall then be divided, one-half to be added to the surplus fund of the National Reserve Association and one-half to go to the United States. After the shareholders receive five per centum per annum on paid-in capital and the surplus fund of the National Reserve Association amounts to twenty per centum of the paid in capital, one-half of the net earnings shall go to the United States and one-half to the contingent fund, which fund shall be maintained at an amount equal to one per centum of the paid-in capital, but not to exceed in any event two million dollars, and shall be used to meet losses; and such fund shall upon the final dissolution of the National Reserve Association go to the United States, and shall not under any circumstances be included in the book value of the stock, or go to the shareholders. Whenever and so long as the contingent fund shall remain unimpaired all excess earnings shall go to the United States.

## CORPORATE POWERS OF THE NATIONAL RESERVE ASSOCIATION.

SEC. 21. Upon duly making and filing articles of association and an organization certificate the National Reserve Association shall become as from the date of the execution of its organization certificate a body corporate and as such and by that name shall have power—

- First. To adopt and use a corporate seal.
- Second. To have succession for a period of fifty years from the date of its organization.
- Third. To make contracts.
- Fourth. To sue and be sued, complain and defend, in any court of law and equity, as fully as natural persons.
- Fifth. To elect or appoint directors and officers in the manner hereinbefore provided, define their duties, require bonds of them, and fix the penalty thereof.
- Sixth. To prescribe by its board of directors by-laws not inconsistent with this act, regulating the manner in which its property shall be transferred, its general business conducted, and the privileges granted to it by law exercised and enjoyed.
- Seventh. To exercise by its board of directors or duly authorized officers or agents, subject to law, all powers and privileges conferred by this act.

## GUARANTIES OF LOCAL ASSOCIATION.

SEC. 22. Any member of a local association may apply to such association for a guaranty of the commercial ~~which it desires to rediscount at the branch of the~~

*disposed of*

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*as a franchise tax*

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*Changed — see minutes Sec. 19/11 Pp. 30-51*

*Upon duly making and filing a certificate by the board of directors of the N.R.A. to the effect that 100 million dollars of the capital stock of the Assoc. has been paid in, the said Assoc. shall become as from date of the filing of the said certificate a body corporate and as such and by that name shall have power—*

*follow section 1.*

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Seventh. To exercise by its board of directors or duly authorized officers or agents, subject to law, all powers and privileges conferred by this act.

~~GUARANTIES OF LOCAL ASSOCIATION.~~

SEC. 22. Any member of a local association may apply to such association for a guaranty of the commercial paper which it desires to rediscount at the branch of the National Reserve Association in its district. Any such bank receiving a guaranty from a local association shall pay a commission to the local association, to be fixed in each case by its board of directors. The guaranty of the local association, in the event of loss, shall be met by the members of the local association in proportion to the ratio which their capital and surplus bears to the aggregate capital and surplus of the members of the local association, and the commission received for such guaranty, after the payment of expenses and possible losses, shall be distributed among the several banks of the local association in the same proportion. A local association shall have authority to require security from any bank offering paper for guaranty, or it may decline to grant the application. The total amount of guaranties by a local association to the National Reserve Association shall not at any time exceed the aggregate capital and surplus of the banks forming the guaranteeing association.

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~~CLEARING HOUSE.~~

SEC. 23. Any local association may by a vote of three-fourths of its members and with the approval of the National Reserve Association, assume and exercise such of the powers and functions of a clearing house as are not inconsistent with the purposes of this act. The National Reserve Association may require any local association to perform such services in facilitating the domestic exchanges of the Reserve Association as the public interests may require.

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~~SUSPENSION.~~

SEC. 24. ~~A local association may by a vote of two-thirds of its members~~ suspend a bank from the privileges of membership for a failure for thirty days to maintain its reserves, or to make the reports required by this act, or for misrepresentation in any report or examination as to its condition or as to the character or extent of its assets or liabilities.

The National Reserve Association may

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~~PRIVILEGES OF SUBSCRIBING BANKS.~~

SEC. 25. All of the privileges and advantages of the National Reserve Association shall be equitably extended to every bank of any of the classes herein defined which shall subscribe to its proportion of the capital of the National Reserve Association and shall otherwise conform to the requirements of this act.

# 91NB MONO. SEC.

## ~~GOVERNMENT OF THE UNITED STATES AND BANKS OWNING STOCK TO BE SOLE DEPOSITORS.~~

SEC. 26. The Government of the United States and banks owning stock in the National Reserve Association shall be the only depositors in said association. All domestic transactions of the National Reserve Association shall be confined to the Government and the subscribing banks, with the exception of the purchase or sale of Government or State securities or securities of foreign governments or of gold coin or bullion.

## ~~NATIONAL RESERVE ASSOCIATION FISCAL AGENT OF THE GOVERNMENT.~~

SEC. 27. The Government of the United States shall deposit its general funds with the National Reserve Association, and thereafter all receipts of the Government shall be deposited with the National Reserve Association. All disbursements by the Government shall be made through the National Reserve Association.

## ~~INTEREST ON DEPOSITS.~~

SEC. 28. The National Reserve Association shall pay no interest on deposits.

## ~~REDISCOUNTS OF BILLS OF EXCHANGE ARISING OUT OF COMMERCIAL TRANSACTIONS FOR SUBSCRIBING BANKS.~~

SEC. 29. The National Reserve Association may rediscount for and with the indorsement of any bank having a deposit with it, notes and bills of exchange arising out of commercial transactions; that is, only notes and bills of exchange issued or drawn for agricultural, industrial, or commercial purposes, and not including notes or bills issued or drawn for the purpose of carrying stocks, bonds, or other investment securities.

Such notes and bills must have a maturity of not more than twenty-eight days, and must have been made at least thirty days prior to the date of rediscount. The amount so rediscounted shall in no case exceed the capital of the bank applying for the rediscount. The aggregate of such notes and bills bearing the signature or indorsement of any one person, company, firm, or corporation, rediscounted for any one bank, shall at no time exceed ten per centum of the unimpaired capital and surplus of said bank.

## ~~REDISCOUNTS FOR SUBSCRIBING BANKS OF NOTES AND BILLS OF EXCHANGE GUARANTEED BY THE LOCAL ASSOCIATION.~~

SEC. 30. The National Reserve Association may also rediscount, for and with the indorsement of any bank having a deposit with it, notes and bills of exchange arising out of commercial transactions as hereinbefore defined, having more than twenty-eight days, but not exceeding four months, to run, but in such cases the paper must be guaranteed by the local association of which the bank asking for the rediscount is a member.

## ~~DISCOUNT OF DIRECT OBLIGATION OF DEPOSITING BANK INDORSED BY LOCAL ASSOCIATION.~~

SEC. 31. Whenever, in the opinion of the governor of the National Reserve Association, the public interests so require, such opinion to be concurred in by the executive committee of the National Reserve Association and to have the definite approval of the Secretary of the Treas-

*The National Reserve Association shall be the principal fiscal agent of the United States.*

*through its branches.*

*through its branches*

*through its branches*

exceeding four months, to run, but in such cases the paper must be guaranteed by the local association of which the bank asking for the rediscount is a member.

~~DISCOUNT OF DIRECT OBLIGATION OF DEPOSITING BANK  
INDORSED BY LOCAL ASSOCIATION.~~

SEC. 31. Whenever, in the opinion of the governor of the National Reserve Association, the public interests so require, such opinion to be concurred in by the executive committee of the National Reserve Association and to have the definite approval of the Secretary of the Treasury, the National Reserve Association may discount the direct obligation of a depositing bank, indorsed by its local association, provided that the indorsement of the local association shall be fully secured by the pledge and deposit with it of satisfactory securities, which shall be held by the local association for account of the National Reserve Association; but in no such case shall the amount loaned by the National Reserve Association exceed three-fourths of the actual value of the securities so pledged.

*through its branches*

*Power of rediscount and discount, granted by Sec. 29, 30, + 31, to the N.R.A., shall be exercised through the branch in the district in which the bank making application for rediscount is located.*

~~RATES OF DISCOUNT.~~

SEC. 32. The National Reserve Association shall have authority to fix the rates of discount from time to time, which when so fixed shall be published, and shall be uniform throughout the United States.

~~PURCHASE OF ACCEPTANCES BY THE NATIONAL RESERVE ASSOCIATION.~~

SEC. 33. The National Reserve Association may, whenever its own condition and the general financial conditions warrant such investment, purchase from a subscribing bank acceptances of banks or acceptors of unquestioned financial responsibility. Such acceptances must have arisen out of commercial transactions, must have not exceeding ninety days to run, and must be of a character generally known in the market as prime bills. Such acceptances shall bear the indorsement of the subscribing bank selling the same, which indorsement must be other than that of the acceptor.

~~INVESTMENT IN GOVERNMENT AND STATE BONDS.~~

SEC. 34. The National Reserve Association may invest in United States bonds, also in short-term obligations having not more than one year to run of the United States or its dependencies, or of any State, or of foreign governments.

~~POWER TO DEAL IN GOLD COIN OR BULLION.~~

SEC. 35. The National Reserve Association shall have power, both at home and abroad, to deal in gold coin or bullion, to make loans thereon, and to contract for loans of gold coin or bullion, giving therefor, when necessary, acceptable security, including the hypothecation of any of its holdings of United States bonds.



# 10 NB MONO. SEC.

## ~~POWER TO DEAL IN FOREIGN EXCHANGE.~~

SEC. 36. The National Reserve Association shall have power to purchase from its subscribing banks and to sell, with or without its indorsement, checks or bills of exchange payable in such foreign countries as the board of the National Reserve Association may determine. These bills of exchange must have arisen out of commercial transactions, must have not exceeding ninety days to run, and must bear the signatures of two or more responsible parties, of which the last one shall be that of a subscribing bank.

## ~~POWER TO MAINTAIN BANK ACCOUNTS AND TO ESTABLISH AGENCIES IN FOREIGN COUNTRIES.~~

SEC. 37. The National Reserve Association shall have power to open and maintain banking accounts in foreign countries and to establish agencies in foreign countries for the purpose of purchasing and selling and collecting foreign bills of exchange, and it shall have authority to buy and sell, with or without its indorsement, through such correspondents or agencies, checks or prime foreign bills of exchange which have arisen out of commercial transactions, which have not exceeding ninety days to run, and which bear the signatures of two or more responsible parties.

## ~~DOMESTIC EXCHANGES.~~

SEC. 38. It shall be the duty of the National Reserve Association or any of its branches, upon request, to transfer any part of the deposit balance of any bank having an account with it to the credit of any other bank having an account with the National Reserve Association. If a deposit balance is transferred from the books of one branch to the books of another branch, it may be done, under regulations to be prescribed by the National Reserve Association, by mail, telegraph, or otherwise, at rates to be fixed at the time by the directors of the branch at which the transaction originates, or an executive committee thereof.

## ~~RESERVES OF SUBSCRIBING BANKS.~~

SEC. 39. All subscribing banks must conform to the following requirements as to reserves to be held against deposits of various classes, but the deposit balance of any subscribing bank in the National Reserve Association and any notes of the National Reserve Association which it holds may be counted as a part of its required reserve:

First. On demand deposits: National banks in different localities shall maintain the same percentages of reserve against demand deposits as is now required by law, and the same percentages of reserve against demand deposits shall be required of all other subscribing banks in the same localities: *Provided, however,* That all or any part of the legal reserve of all subscribing banks may be kept on deposit with the National Reserve Association or its branches.

Second. On time deposits: All time deposits and moneys held in trust payable or maturing within thirty days shall be subject to the same reserve requirements as demand deposits in the same locality. All time deposits and moneys held in trust payable or maturing more than thirty days from date shall be subject to the same reserve requirements as demand deposits for the thirty days preceding their maturity, but no reserves shall be required therefor except for this period. Such

*Provided, that*  
~~all~~

as demand deposits in the same locality. All time deposits and moneys held in trust payable or maturing more than thirty days from date shall be subject to the same reserve requirements as demand deposits for the thirty days preceding their maturity, but no reserves shall be required therefor except for this period. Such time deposits and moneys held in trust must be represented by certificates or instruments in writing and be payable only at a stated time not less than thirty days from date of deposit, and must not be allowed to be withdrawn before the time specified without thirty days' notice.

Third. On savings deposits: Savings deposits, as defined in this act, shall be subject to notice of withdrawal of not less than thirty days and shall be covered by a reserve amounting to forty per centum of that required against demand deposits in the same locality.

~~RESERVE OF THE NATIONAL RESERVE ASSOCIATION.~~

SEC. 40. All demand liabilities, including deposits and circulating notes, of the National Reserve Association shall be covered to the extent of fifty per centum by a reserve of gold (including foreign gold coin and gold bullion) or other money of the United States which the national banks are now authorized to hold as a part of their legal reserve: *Provided, however,* That whenever and so long as such reserve shall fall and remain below fifty per centum the National Reserve Association shall pay a special tax upon the deficiency of reserve at a rate increasing in proportion to such deficiency as follows: For each two and one-half per centum or fraction thereof that the reserve falls below fifty per centum a tax shall be levied at the rate of one and one-half per centum per annum.

~~All note issues of the National Reserve Association must be covered to the extent of at least one-third by gold or other lawful money, and the remaining portion by bankable commercial paper as herein defined or obligations of the United States, but no notes shall be issued whenever the lawful money so held shall fall below one-third of the notes outstanding.~~

In computing the demand liabilities of the association a sum equal to one-half of the amount of the United States bonds held by the association which have been purchased from the national banks, and which had previously been deposited by those banks to secure their circulating notes, shall be deducted.

~~REPORTS OF CONDITION OF THE NATIONAL RESERVE ASSOCIATION.~~

SEC. 41. The National Reserve Association shall make a report, showing the principal items of its balance sheet, to the Comptroller of the Currency once a week. These reports shall be made public. In addition, full reports shall be made to the Comptroller of the Currency coincident with the five reports called for each year from the national banks.

11 NB  
MONO. SEC.

REPORTS OF SUBSCRIBING BANKS TO THE NATIONAL RESERVE ASSOCIATION.

SEC. 42. All subscribing banks shall, under regulations to be prescribed by the National Reserve Association, make a report monthly, or oftener if required, to said association showing the principal items of their balance sheets.

EXAMINATIONS.

SEC. 43. The National Reserve Association may for all subscribing banks accept copies of the reports of the national-bank examiners for national banks and copies of the reports of State-bank examiners for State banks and trust companies, where the furnishing of such information is not contrary to law: *Provided, however,* That the standard of such examinations, both National and State, meet the requirements of the National Reserve Association. The National Reserve Association shall have the right at any time to examine or cause to be examined by its own representatives any subscribing bank. ~~The National and State examiners shall be allowed such additional compensation to be paid by the National Reserve Association for making reports to it as the directors thereof may consider just and equitable.~~

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*directors of the*

*services*

FURTHER NOTE ISSUES BY NATIONAL BANKS PROHIBITED.

SEC. 44. There shall be no further issue of circulating notes by any national bank beyond the amount now outstanding. National banks may, if they choose, maintain their present note issue, but whenever a bank retires the whole or any part of its existing issue it shall permanently surrender its right to reissue the notes so retired.

PURCHASE OF TWO PERCENTUM BONDS BY NATIONAL RESERVE ASSOCIATION.

SEC. 45. The National Reserve Association must, for a period of one year, offer to purchase at a price not less than par and accrued interest the two per centum bonds held by subscribing national banks and deposited to secure their circulating notes. The National Reserve Association shall take over these bonds and assume responsibility for the redemption upon presentation of outstanding notes secured thereby. The National Reserve Association shall issue, on the terms herein provided, its own notes as fast as the outstanding notes secured by such bonds so held shall be presented for redemption and may issue further notes from time to time to meet business requirements.

PROVISIONS REQUIRING DEPOSIT OF BONDS BY NATIONAL BANKS REPEALED.

SEC. 46. All provisions of law requiring national banks to hold or to transfer and deliver to the Treasurer of the United States United States bonds other than those required to secure outstanding circulating notes and Government deposits are hereby repealed.

TAX ON NOTES OF NATIONAL RESERVE ASSOCIATION.

SEC. 47. Any notes of the National Reserve Association in circulation at any time in excess of nine hundred million dollars which are not covered by an equal amount of lawful money held by said association shall pay a special tax at the rate of one and one-half per centum per annum, and any notes in excess of one billion two hundred million dollars not so covered shall pay a special tax at the rate of five per centum per annum.

CIRCULATING NOTES FIRST LIEN ON ASSETS.

*The National Reserve Association shall pay the national and state examiners for services rendered to it such compensation as the directors thereof may consider just and equitable.*

...in circulation at any time in excess of nine hundred million dollars which are not covered by an equal amount of lawful money held by said association shall pay a special tax at the rate of one and one-half per centum per annum, and any notes in excess of one billion two hundred million dollars not so covered shall pay a special tax at the rate of five per centum per annum.

~~CIRCULATING NOTES FIRST LIEN ON ASSETS.~~

SEC. 48. The circulating notes of the National Reserve Association shall constitute a first lien upon all its assets and shall be redeemable in lawful money on presentation at the head office of said association or any of its branches.

~~FOR WHAT CIRCULATING NOTES OF NATIONAL RESERVE ASSOCIATION ARE RECEIVABLE.~~

SEC. 49. The circulating notes of the National Reserve Association shall be received at par in payment of all taxes, excises, and other dues to the United States, and for all salaries and other debts and demands owing by the United States to individuals, firms, corporations, or associations, except obligations of the Government which are by their terms specifically payable in gold, and for all debts due from or by one bank to another, and for all obligations due to a bank.

~~CIRCULATING NOTES FORWARDED ON APPLICATION.~~

SEC. 50. The National Reserve Association and its branches shall at once, upon application and without charge for transportation, forward its circulating notes to any depositing bank against its credit balance.

~~EXCHANGE OF 2 PER CENT FOR 3 PER CENT BONDS.~~

SEC. 51. Upon application of the National Reserve Association the Secretary of the Treasury shall exchange the two per centum bonds bearing the circulation privilege purchased from the banks for three per centum bonds without the circulation privilege, payable after fifty years from the date of issue.

~~FRANCHISE TAX.~~

SEC. 52. The National Reserve Association shall pay to the Government a special franchise tax of one and one-half per centum annually during the period of its charter upon an amount equal to the par value of such bonds transferred to it by the subscribing banks.

~~SALE OR REDEMPTION OF BONDS.~~

SEC. 53. The Reserve Association shall agree to hold the three per centum bonds so issued during the period of its corporate existence: *Provided*, That after five years the Secretary of the Treasury may at his option permit the Reserve Association to sell not more than fifty millions of such bonds annually: *And provided further*, That the United States reserves the right at any time to pay any of such bonds before maturity, or to purchase any of them at par for the trustees of the postal savings, or otherwise.

*of dollars*

*insert 54, 55, 56, 57, 58, 59, + 60.*

*see minutes Dec 19/11 of 54, 55, 56, 57.*

**BANKS OF SWEDEN.**

**OUTSTANDING NOTE ISSUES. 1899-1908.**

End of	1899			1900		
	Riksbank	Other Banks	Total	Riksbank	Other Banks	Total
	Mill.Kr.	Mill.Kr.	Mill.Kr.	Mill.Kr.	Mill.Kr.	Mill.Kr.
January	60.4	74.2	134.6	57.9	72.8	130.7
February	60.4	75.9	136.3	59.6	76.9	136.5
March	65.3	80.8	146.1	64.0	81.2	145.2
April	61.9	76.9	138.8	60.6	79.5	140.1
May	63.3	72.0	135.3	62.3	75.7	138.0
June	72.0	76.6	148.6	66.9	80.1	147.0
July	64.1	72.5	136.6	59.3	75.4	134.7
August	64.9	73.4	138.3	60.4	73.9	137.3
September	71.5	83.3	154.8	66.9	86.1	155.0
October	68.0	78.6	146.6	66.2	83.2	149.4
November	66.7	77.1	143.8	64.3	82.2	146.5
December	75.2	80.0	155.2	72.0	82.4	154.4
Maximum	75.2	83.3	155.2	72.0	86.1	155.0
Minimum	60.4	72.0	134.6	57.9	72.8	130.7
Average	66.1	76.8	142.9	63.5	79.4	142.9
Variation	14.8	11.3	20.6	14.1	13.3	24.3

OUTSTANDING NOTE ISSUES.

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End of	1901			1902		
	Riksbank	Other Banks	Total	Riksbank	Other Banks	Total
	Mill.Kr.	Mill.Kr.	Mill.Kr.	Mill.Kr.	Mill.Kr.	Mill.Kr.
January	59.6	74.7	134.3	85.8	49.0	134.8
February	56.9	79.0	135.9	85.3	50.6	135.9
March	65.5	83.6	149.1	95.3	52.5	147.8
April	61.1	79.3	140.4	90.0	48.5	138.5
May	63.7	75.9	139.6	90.5	45.7	136.2
June	69.8	79.4	149.2	101.3	47.0	148.3
July	72.0	72.3 <sup>a)</sup>	144.3	98.8	39.7	138.5
August	75.0	68.6	143.6	104.0	36.3	140.3
September	88.0	71.3	159.3	121.4	35.1	156.5
October	90.8	61.1	151.9	121.0	32.0	153.0
November	89.4	57.0	146.4	121.2	28.6	149.8
December	101.0	55.6	156.6	137.4	25.2	162.6
Maximum	101.0	83.6	156.6	137.4	52.5	162.6
Minimum	56.9	55.6	134.3	85.3	25.2	134.8
Average	74.4	71.5	145.9	104.3	40.9	145.2
Variation	44.1	28.0	22.3	52.1	27.3	27.8

a) During the two years following the middle of 1901 there were concluded at intervals operative arrangements between the Bank of Sweden and other note-issuing banks, in virtue of which the latter ceased to issue their own notes. The effect of the first of these is seen in the July return of 1901, and the others, as they came into force, contributed to the rapid reduction of outstanding issues of Enskilda Bank-notes. From 1 Jan. 1904 the Bank of Sweden alone has had the right of issue.

OUTSTANDING NOTE ISSUES.  
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End of	1903			1904		
	Riksbank	Other Banks	Total	Riksbank	Other Banks	Total
	Mill.Kr.	Mill.Kr.	Mill.Kr.	Mill.Kr.	Mill.Kr.	Mill.Kr.
January	122.6	20.9	143.5	145.5	4.1	149.6
February	124.3	20.5	144.8	147.4	3.6	151.0
March	136.8	20.0	156.8	163.1	3.4	166.5
April	131.4	18.1	149.5	152.5	3.2	155.7
May	133.3	16.4	149.7	150.7	3.0	153.7
June	143.6	15.2	158.8	163.8	2.9	166.7
July	135.7	12.8	148.5	151.0	2.8	153.8
August	142.9	9.2	152.1	150.7	2.7	153.4
September	160.6	7.5	168.1	171.4	2.6	174.0
October	155.8	6.2	162.0	161.3	2.6	163.9
November	154.2	5.3	159.5	156.0	2.5	158.5
December	165.8	4.6	170.4	170.3	2.4	172.7
Maximum	165.8	20.9	170.4	171.4	4.1	174.0
Minimum	122.6	4.6	143.5	145.5	2.4	149.6
Average	142.2	13.1	155.3	157.0	3.0	160.0
Variation	43.2	16.3	26.9	25.9	1.7	24.4

**OUTSTANDING NOTE ISSUES.**

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1905

1906

End of	1905			1906		
	Riksbank	Other Banks	Total	Riksbank	Other Banks	Total
	Mill. Kr.	Mill. Kr.	Mill. Kr.	Mill. Kr.	Mill. Kr.	Mill. Kr.
January	146.5	2.2	148.7	155.4	1.6	157.0
February	149.7	2.1	151.8	160.1	1.6	161.7
March	165.4	2.1	167.5	178.7	1.6	180.3
April	155.2	2.1	157.3	167.7	Notes	167.7
May	153.4	2.0	155.4	168.3	No	168.3
June	171.1	2.0	173.1	186.5	longer	186.5
July	154.6	1.9	156.5	166.4	-	166.4
August	157.7	1.9	159.6	173.5	-	173.5
September	183.2	1.9	185.1	198.3	-	198.3
October	171.7	1.7	173.4	188.3	-	188.3
November	165.4	1.7	167.1	180.9	-	180.9
December	183.7	1.7	185.4	201.9	Current	201.9
Maximum	183.7	2.2	185.4	201.9	1.6	201.9
Minimum	146.5	1.7	148.7	155.4	1.6	157.0
Average	163.1	1.9	165.0	177.2	0.4	177.6
Variation	37.2	0.5	36.7	46.5	0.0	44.9



**OUTSTANDING NOTE ISSUES.**  
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1907

1908

End of	Riksbank	Riksbank
	Mill.Kr	Mill.Kr.
January	173.4	173.1
February	176.5	174.1
March	196.8	189.8
April	183.1	174.9
May	178.9	176.1
June	194.4	188.8
July	178.2	174.4
August	183.9	178.9
September	207.6	196.9
October	195.6	191.0
November	189.6	184.5
December	190.1	201.5
Maximum	190.1	201.5
Minimum	173.4	173.1
Average	187.3	183.7
Variation	16.7	28.4

Lyonnais (which, by the way, is the greatest or most important commercial bank in the world), and the Comptoir d'Escompte; a mortgage bank, the Credit Foncier, which is under government control, issuing its own obligations against mortgages held by the bank; promoting or syndicate banks, like the Bank de Paris et des Pays Bas; and of co-operative, agricultural and savings banks.

To my mind the system of Germany is to us the most interesting of any; for the German Empire has very largely the same industrial and commercial interests that we have in the United States. The German was the last of the great financial systems to be adopted; and her financial legislation has been recently modified as the result of a very important inquiry made by a commission appointed in 1908. Of course there are certain conditions here that do not exist in Germany. For instance, we make a much greater use of checks and other credit instruments than the Germans. Their government is trying, however, to encourage an increased use of these. They realize the importance of giving to their financial institutions this great element of elasticity of credit.

The German system consists of the Reichsbank; a

considerable number of large joint-stock banks like the Deutsche Bank, the Dresdner Bank, and the Disconto Gesellschaft. These are commercial banks; but they also do more or less of an underwriting or syndicate business. This syndicate or promoting business is limited to a reasonable percentage of the capital of the bank; and, so far as I have been able to discover, has not produced any injurious results.

Germany has also banks of many descriptions that were novel and very interesting to me. For instance, she has thousands of cooperative credit societies (Genossenschaften), which have different functions from those of any other banks that I know of elsewhere. They are something like our mutual savings-banks in the Eastern States. They are managed by the leading citizens of the locality --- farmers, professional men, the principal men of each community--- who usually serve without compensation. They are conducted for the benefit of the members, who are the small borrowers and small depositors of the neighborhood. They take very small deposits, and make loans of very small sums. If a man wants to buy a cow, or wants money advanced upon his crops, or for any of the great mass of minor wants of men,

the loan is made by one of these co-operative organizations. They do not compete to any great extent with the commercial banks.

In addition to these, Germany has land mortgage banks of different classes --- some that take mortgages on urban properties and issue securities against them, and some that perform a like service in the case of land in the country. Germany has also a class of communal and county savings banks, which are unique in their character.

Germany has several other classes of banks, parts of her general system; but I shall not have the time tonight to take them up and consider them separately. Inasmuch, however, as we propose to give an accurate description of all of them in the literature which we shall soon publish on this subject, I hope they will receive your careful consideration.

The Germans have given great attention (as they do to every detail of all public questions) to the character and organization of their various financial institutions. These different institutions are all parts of a comprehensive system, and all depend absolutely upon the Reichsbank for reserves and for assistance in time of trouble.

The continued existence of the entire financial structure of all these countries depends upon the strength of their central institutions, and the wisdom of their management.

The suggestions which I shall make tonight with reference to methods employed to relieve conditions of panic do not involve an examination of the functions of any of these different institutions except the central banks and the joint-stock banks of deposit and discount. I will first ask your attention to the character of the central institutions.

The central banks of these countries are not alike, and yet they are not unlike. They have many characteristics in common. The principal functions of these banks are not defined by legislative acts. They are the outgrowth of centuries of experience. They have been essentially modified from time to time, through a process of evolution, to meet existing requirements, until it may be fairly said that their most important features are such as it has been found necessary to adopt within a generation to answer the demands of modern conditions.

For instance, the great functions of the Bank of England today concern matters which were not thought of

or referred to in the great discussions which preceded and followed the adoption of the Peel Act in 1844. In Germany, in France, and in the other countries to which I shall allude later, the organization of credit is an outgrowth of modern conditions --- in fact, of very recent conditions. The position occupied by the great central banks, their duties and obligations (which they are not always willing to acknowledge in a public way) with reference to sustaining the public credit, and their responsibilities to the public and to the other banks in having always available an adequate gold reserve, are of recent origin.

To me by far the most interesting phase of our foreign examination was the personal inquiry made of the actual managers of these great banks for the purpose of ascertaining the precise details of the practical workings of their institutions. And I must say in passing that the representatives of the Commission received the greatest possible courtesy from the managers of all of these great banks --- especially the governor of the Bank of England, Mr. Campbell, now retired, and his associates; and from M. Pallain, the governor of the Bank of France, who is

justly considered one of the great financial authorities of the world. The Bank of France has been extremely fortunate in the past in the character of its managers; but it has never in its history had at its head a man with more intelligence or greater wisdom than the present incumbent of that office. M. Pallain was most courteous to us, helping us in every possible way, not only in his own country, but through his influence with the representatives of other countries. The official managers of the Reichsbank, in Berlin, furnished us the fullest information as to the practical workings of their bank and of the German system.

The central banks of these countries are all private banks; that is, the governments have no ownership or interest in their shares.

The provisions for the control and management of the respective banks differ widely. The management of the Bank of England is in the hands of twenty-four directors, selected largely from merchants, no bankers being eligible for the position; and these, together with the governor and deputy governor elected by the directors from their own number, have control of the business of the Bank.

With regard to the Bank of England, I have frequently been asked why such an institution (serving, as it does, a limited territory, and doing the business of a small island) should require one hundred millions of capital; and why the success of that bank should be construed as a guarantee of the success of similar banks upon a large scale?

I think the answer is obvious: Not only does the Bank of England sustain the credit and hold the reserves of the banks and the people of England, but it is the center of the financial system of the entire British Empire, with its 400,000,000 of population, and with connections and affiliations extending around the world. Not only this, but the friends of the Bank of England say (and, I must confess, with great truth) that the Bank of England is today the financial center of the world. We know that sterling bills drawn on London are still the highest form of commercial credit. In Paris, in Berlin, in Amsterdam, and in New York, such bills sell at a better rate (that is, a lower rate) than any other form of commercial credit.

So the Bank of England reaches a larger territory



than any other institution in the world, and serves financial interests which are exceeded in importance and amount only, if at all, by those of the United States.

The governor and two deputy-governors of the Bank of France are appointed by the Chief of State. The governor of the Bank of France directs the general policy of the bank. The two hundred largest shareholders elect eighteen regents and censors, who have functions of limited importance.

The Reichsbank is managed by the directorium, consisting of president, vice-president, and seven directors appointed by the Emperor. The stockholders elect a central committee of fifteen members, with limited advisory powers. The control of the Bank is committed to the Imperial Chancellor; so that, aside from its ownership, the Bank is in effect a government institution.

The earnings of these banks are not excessive. As the charters of the institutions have been renewed from time to time, conditions have been imposed with the purpose of bringing about a restriction of profits or a more satisfactory division with the State. In Germany, after three and one-half per-cent is paid to the stockholders, the government receives three-quarters of the

net earnings; so that the net income is divided between the State and the proprietors of the bank. Neither the Bank of England nor the Bank of France is required to directly divide its profits with the State; but, as we shall see, an indirect division takes place.

There is a great variation in the amount of payments to the different governments by the banks for franchises and for taxes, privileges, or otherwise. The Bank of England pays annually for these purposes about \$1,200,000 in addition to the usual taxes. In France the general and special taxation for various purposes is levied by an intricate system; but the figures furnished to us show that it amounts to practically one-third of the net earnings of the bank, and this has been true for a series of years. In Germany about two-thirds of the actual profits go to the government under the division to which I have referred. In 1907 the German government received, as its portion of the profits, about \$8,600,000.

All of the banks have close fiscal relations with their respective governments. Each bank is made the sole depository of government funds; and all payments of public moneys, whether amounts paid for ordinary expenditures or

for interest on the public debt, are made through the banks. They are also required to render further services to the government by acting as agents for the various departments, attending to the transfer of government funds from place to place, the discount of treasury bills, etc. In the main it may be said that the relation of these institutions to the financial operations of their respective governments is largely similar to the position of the United States Treasury with relation to our government. These services are rendered in the case of France and Germany without compensation --- I mean, the government business is transacted in both those cases without any direct compensation.

Each of these institutions is in a large sense a bank of banks. About sixty-five per-cent of the business of the Reichsbank comes through the other banks. The Bank of France receives about seventy per-cent of its entire business from other banking institutions. The statement of the Bank of England does not furnish any information upon this subject. As a matter of fact, as I have already stated, whatever business comes from the banks to the Bank of England, except deposit accounts, comes through the discount houses, and not direct.

The banks also differ greatly in the average amount of their deposits, and in the amount and character of their discounts and loans. The direct commercial business of all the central banks is comparatively unimportant.

The banks also differ as to the character of commercial paper or bills of exchange which they accept for discount. The Bank of England requires at least two good British names, of which one must be the acceptor. The Bank of France requires three solvent names, of which two must be residents of France. The Reichsbank requires the names of two solvent persons or corporations. In France collateral is accepted in place of the third signature. Generally speaking, all these bills must represent actual transactions, and not be what are known as finance or accommodation bills.

The average duration of bills discounted in England is from forty to fifty days; in France, thirty days; in Germany, thirty-two days. The maximum duration of bills discounted in England is four months, in exceptional cases six months; in France three months, with a possible renewal in exceptional cases; in Germany three months, with renewal in case of farmers.

Foreign nomenclature for paper of this kind is entire-

ly different from ours. They do not use promissory notes in their banking transactions. In case of a sale by a manufacturer or merchant, on credit or time, the seller makes a draft on the purchaser upon terms agreed upon (usually on thirty, sixty, or ninety days' time), and the purchaser accepts the draft. This acceptance becomes a domestic bill of exchange, or a domestic bill, as it is usually called. A bank may arrange with a merchant or an operator to accept his bills for a commission. This acceptance becomes a prime bill, and is discounted at the lowest rate by other banking institutions. All drafts drawn upon or by foreign houses or banks are known as foreign bills. Trade bills cover ordinary commercial transactions, and finance bills cover accommodation loans. Domestic bills which answer the requirements I have named of the central banks are known as bankable bills, as they are accepted for rediscount under proper conditions.

None of these central institutions are commercial banks in the ordinary sense of the word; and usage is bringing about a further delimitation of their powers in this respect. None of them pay interest on their deposits. They are not in any general sense competitors with the

banks of discount and deposit.

These central institutions hold practically the entire specie reserves of all the banks and other financial institutions of their respective countries. The Bank of England holds on an average a reserve of about forty-five per-cent of its entire liabilities. The Bank of France holds about seventy-five per-cent of its demand obligations in specie; and the Reichsbank holds a specie reserve of from forty to fifty per-cent of its current deposit obligations. With an annual gold production approximating four hundred million dollars, and the constant increase in the world's stock of gold, there is a marked tendency to increase the specie reserves of all the great banks of the world. When we consider the rapid growth of the world's business, and the extent of the banking transactions based upon these reserves, the necessity for their protection and maintenance under all circumstances becomes apparent.

The great difference between foreign banking systems and our own is found in the concentration and mobilization of reserves, which is the distinctive feature of the European systems. Confidence that the management of these great central banks will at all times, in prosperity

and in adversity, maintain reserves adequate to protect the interests of all of their people and to sustain public and private credit, gives to foreign systems impregnable strength.

In this connection it is important to examine the methods adopted by the central banks to protect their reserves and to increase their holdings of gold when necessary.

The means usually and successfully relied upon for these purposes is, whenever necessary, to advance the bank rate of discount high enough to attract gold from other countries. As in the case of commodities, gold follows the law of supply and demand; and if England bids more for gold than France or Germany, she secures it.

For example, in 1907 the Bank of England rapidly raised its rate of discount from four to seven per-cent. Mr. Campbell, the governor of the Bank of England, told us that the result was that gold came into the vaults of the bank from twenty-four different countries, including two or three colonies. This enabled the Bank of England (and I think this is a striking statement) to protect its reserves and to send to the United States eighty to ninety million dollars of gold. This was true notwithstanding the

fact that the specie reserves of the Bank of England do not usually exceed one hundred and twenty millions of dollars. I asked the question, "What would have happened if the seven per-cent rate had not been effective?" The answer was: "We should have put the rate up to ten per-cent; and ten per-cent would bring gold from the earth!" (Laughter.)

The answer was intended, of course, merely as an indication of the power of a country that has credit and unlimited resources to bring gold to its coffers.

In recent years --- certainly for nearly half a century --- there has been no failure of this method to protect and increase the gold reserves of the great European banks. It is true that use is made of collateral influences. It is now the policy of the central banks to hold short-time foreign bills to a considerable amount; and this custom has been found very helpful in emergencies to protect gold reserves. The central banks also allow interest on gold in transit from distant points. But the main reliance has always been upon an advance of the bank-rate; and this method has been found uniformly successful in modern times. The policy of charging a premium



for gold, or of refusing to pay gold on demand by indirect but effective means, is no longer defended by first-class banks. (A voice: "Good!").

In this connection we should also consider the practice of the joint-stock banks with reference to reserves.

The question of the character and extent of the reserves of these banks, as well as those of the central banks, is left to the judgment and discretion of the managers of these institutions; and no attempt is made by legislation to exercise any control over this important feature of banking practice.

The joint-stock banks do a very large proportion of the business of the several countries. The Bank of England, for example, holds but \$138,000,000 in discounted paper and securities of all kinds. When we consider how small a proportion this is of the vast business of England, we shall realize that the large commercial joint-stock banks do practically the entire business of that great Kingdom.

The joint-stock banks hold practically no specie reserve. In making statements of their condition, the joint-stock banks of the several countries report the amount of their "cash in hand and at bank" in one item,

which represents the only cash reserves of the institutions. Except in one case (that of the Union and Smith Bank of London) the cash in hand is never stated separately; and no amount of persuasion that the members of the Commission could use would induce them to segregate these amounts. As a matter of fact, all of these banks hold in their own vaults only what we would call "till money"; and this sum rarely exceeds three or four per-cent of their deposit liabilities. The men who manage the institutions assert that a credit at the central bank is safer and better for their purposes than a corresponding amount of money in their own possession. We were told that it is the habit of the large banks to make an estimate of the amount of money that will be required for their ordinary transactions from day to day; this amount is withdrawn from the central bank, and constitutes practically the only amount of cash on hand in any of the institutions. The amount of "cash in hand and at the bank", taking the two together, averages about fourteen or fifteen per-cent of the current liabilities of the London clearing-house banks which make their reports once a month.

The joint-stock banks, however, have a secondary reserve in "money at call and at short notice." In

London this money is loaned to discount houses on bankable bills, and to merchants and others on stock-exchange and other similar securities. The banks hold on an average about fifteen to twenty per-cent of their liabilities in this secondary reserve. In addition, the English banks usually hold for investment purposes government securities to the extent of their capital and surplus. This rule does not apply to foreign banks, however.

All the joint-stock banks hold a very important reserve in their portfolios of short-time bankable bills. The fact that they can always be used for rediscount, or that when held they are usually paid at maturity, gives to them the greatest possible value as an available reserve. In fact, usage has given to them almost a legal-tender quality.

It is the policy of the joint-stock banks in times of stress to strengthen their reserves by increasing their balances at the central bank. This is usually done by a direct or indirect rediscount of their bankable bills. By this process they are enabled to transform at once into a reserve an asset which otherwise has no value in this connection. The institutions are thus enabled

to extend credit to deserving customers to the extent of four to ten times the amount added to their reserves. A number of the foreign joint-stock banks have but about one-eighth of their total liabilities in reserves of any kind.

This description of the functions and the processes of the European central and joint-stock banks will enable us to arrive at a better understanding of the methods employed by these institutions to furnish relief when financial trouble is apprehended, or panicky conditions exist.

The statement I am now about to make is the crux of the whole matter:

The general policy adopted in times of apprehension or distress is for the central institution to strengthen its reserves by the use of the methods I have described, and at the same time to extend credit liberally to every person or institution whose solvency and condition entitles him to receive it.

It is this simultaneous strengthening of reserves and extension of credits which gives potency and effect to the modern system of dealing with periods of distrust. The fact that in modern times the means I have described

have not failed to afford relief, to allay excitement and to restore confidence and credit in times of threatened or real trouble, must create a profound impression upon all who are honestly seeking a solution of our monetary problems.

In this country we have adopted precisely the opposite policy. For instance, we have a law governing national banks which requires, in central reserve cities, a lawful-money reserve of twenty-five per-cent of outstanding deposit liabilities. Although we may assume that the reserve is created for emergency purposes, when an emergency arises and a bank wishes to use its reserve it must not do so. (Laughter.) Under no circumstances may it reduce its reserve below twenty-five per-cent. If the reserve is twenty-four and a half per-cent, not only can the bank not use it, but it must stop all discounts, all extensions of credit. It makes no difference how much a man needs a loan, what his credit is, or what his collateral may be. He may be a man whose business salvation is at stake. The savings of his life, possibly the accumulations of generations, may be imperiled. It may be an absolute necessity for the man to have a certain amount of money at that very

time. But if the bank's reserve is twenty-four and a half per-cent or less, even though there is a condition of affairs which makes absolutely necessary the use of part of the reserve, it cannot be legally used.

I think it is not necessary for me to enlarge upon the absurdity of this system. The systems of European countries are based upon the policy of using reserves promptly and fully in case of an emergency. Take the case of the Bank of England: It matters not whether the use suggested is in Canada, in Birmingham, in Liverpool, or in Australia; the reserves can be drawn upon as water is drawn from a great reservoir to put out a fire before it becomes a conflagration, when the application of water would be as useless as though it were poured into the ocean. The European banks take these matters at their inception; and by means of a concentration of reserves they are ready at any minute to furnish the necessary means and the necessary credits to prevent disasters such as those from which we have been suffering, and from which we shall continue to suffer unless we do something to reorganize and to strengthen our financial system. (Great applause.)

The question of the issue of notes, the manner of their issue, and their use in the extension of credits and to meet unusual demands, is an important one in this connection. The Bank of England issues notes against government securities to the extent of \$92,500,000. Any further issue must be covered by specie. The note-issue of England has varied but little from 1844 down to the present time. While the business of England and of the British Empire has doubled and quadrupled and multiplied I do not know how many fold in that time, the amount of note-issues has remained substantially the same. The great use of checks and other instruments of credit, to which the people of England are accustomed, takes the place of notes. In France notes are issued without any restriction except as to amount. But under the policy and practice of the Bank of France --- and I call your attention to this statement --- its notes are practically coin certificates.

For the ten years ending in 1908 the Bank of France held in specie an average of eighty-three and three-tenths per-cent of the outstanding note-issue. Against an uncovered issue of, say, two hundred millions, the Bank of France held, in round numbers, three hundred and sixty

odd millions of bankable bills.

Perhaps I ought to say in passing what you already know --- that there are a few banks in England that have retained the right of issue since 1844. Their notes, however, amount to but a fraction of one per-cent of the total issues of the Bank of England. There are also certain of the State banks of Germany --- the Bank of Bavaria, the Bank of Saxony, and two others --- that have retained the right of issue given them under the bank act of 1875. But the outstanding notes of all these banks amount to only three and a half per-cent of the total note-issue of the Empire.

The Reichsbank is authorized to issue untaxed notes, first, to an amount equal to the amount of specie and government notes it holds; second, to the amount of an arbitrary sum known as the contingent, which is fixed by recent legislation at one hundred and thirty-eight millions of dollars. This legislation was adopted upon the recommendation of the bank inquiry commission, which was one of the ablest commissions ever appointed to investigate this or a similar subject. The report of the commission recommended an increase of the contingent from \$118,000,000 to



\$138,000,000, with a further increase to the amount of \$188,000,000 on settlement-days at the end of quarters, these being the times when the largest amounts of notes are required. (You will observe that the amount of this contingent is only \$2 per capita of the people of Germany -- a rather inconsiderable sum when you think of the \$35 or \$36 per capita that we have in the United States.) Any notes issued in excess of these amounts are taxed by the government at the rate of five per-cent.

The character and redeemability of the notes are amply secured by legal provisions in the case of all of the great banks. In each of the countries we found that the monopoly of note-issue by a central bank meets with practically universal approval from all classes.

I think there can be no dissent from this statement. Among the recent discussions upon the subject were those that took place in Germany and in Belgium at the time of the last extension of the charters of the banks of those countries, when all classes --- socialists, agrarians, and all other classes in each of the States, and so far as I know in every State --- fully approved of the policy of having notes issued only by one central bank.

The average fluctuations in the amount of notes outstanding from time to time differ considerably in the three countries. These fluctuations grow out of differences in the seasonal demands for currency. In England, where the volume of note-issues is practically constant, the element of elasticity of issue, which in Germany and France is met by recurring enlargements and contractions in the volume of notes, is met by changes in the volume of checks and other credit instruments, and the amount of credits given by the Bank of England and the other banking institutions.

To recur to the question of note-issue: It is apparent that if we are to profit by the experience of other countries, if there is anything in their methods that may be of advantage to us, there are only two systems to be considered --- one, the system of note-issue by a central bank under government control or restrictions, and the other the Scotch system, the main features of which have also been adopted in Canada.

The uniformity of opinion with reference to the wisdom of a unification of issues is not shared by the Scotch bankers, nor, I think, by Scotchmen in general. Those who

believe in a central bank of issue, however, insist that the Scotch system of eight banks with eleven hundred branches is not adapted to the wants of a great commercial country; that it is of necessity a provincial system. The eight banks of Scotland are practically one bank. The managers of the principal banks, living in Edinboro' or Glasgow, consult each other, and fix the rate of discount for loans and the amount of interest to be allowed on deposits. Every particular of importance in banking operations or with reference to note-issues is fixed by agreement of this informal organization for defense and protection. The Scotch banks depend upon the Bank of England for their specie and for support in times of trouble as fully as do the English banks. London sends to Scotland periodically a considerable amount of gold, which is often held there only long enough to enter into the accounts of the Scotch banks, and then returned to London, many times in the original packages.

The Scotch note-issue is at present based, first, upon a fixed amount of uncovered notes, which is equal to the outstanding issues of the banks in 1845. The total amount of this uncovered issue at present is about two million seven hundred thousand pounds, or \$2.76 per capita --- not a large or important amount from our standpoint, with a

per capita circulation in the United States of about \$36. Beyond this limited uncovered issue the law provides that all emissions shall be covered by specie.

It is conceded that the success of the Scotch system depends largely upon an elaborate system of branches, which is not applicable to the United States. I do not mean to underrate the merits of the Scotch banking system. It has been impressed upon me that there are no better bankers in the world than the Scotch. They have an admirable individuality and vigor in expression and action. Nowhere does the personal equation stand for more. Aside from the manner of note-issue, the distinguishing feature of their system is a method of cash credits, by which a farmer or small trader in any part of Scotland, with one or two of his neighbors as guarantors, can establish a banking credit for a fixed sum. The bank honors his drafts for any amount within this limit, and the customer pays interest only upon the sums actually drawn. There can be no question but what this system has been of benefit in developing the rural communities of Scotland. This development has been, however, along lines quite unlike any that would appeal to the restless American spirit. The rates of interest

charged by the Scotch banks are about one-half of one percent higher than for equivalent service in England. A considerable portion of the larger Scotch commercial and industrial houses keep their accounts in London. The principal Scotch banks also have branches in London. But Scotch methods, while admirable in their surroundings, have little of value in considering the requirements of this great country.

The Canadian banking system, which is largely based upon Scotch ideas, has many intelligent and persistent advocates in the United States. This system should receive our careful consideration. Members of the Commission have made personal investigations in Canada. These have been supplemented by extended and valuable information, contained in the volumes referred to in our list of publications. Canada has twenty-nine banks, with about two thousand branches. These are practically controlled by the Bankers' Association, a legalized institution with certain definite functions. The control of the banks, however, is not always under authority conferred by the law, or even by the constitution and by-laws of the association, but by agreements for mutual protection, which are equally effective. Through this efficient business

arrangement the banks of Canada are controlled as thoroughly as the Scotch bankers control the banking system of Scotland. Canada has an area equal to the United States, outside of Alaska. Out of her twenty-nine banks, nineteen are located in Toronto and Montreal; and the whole system is controlled by the bankers of these cities. The Bank of Montreal, with its large capital and admirable management, is practically the central bank of Canada.

There are but three banks, and these quite unimportant, in the vast country west of Ontario. Think what the American system would be, and how it would be regarded, if we had but three banks west of Buffalo, and if the bankers of New York and Boston, perhaps, should decide upon the policy and the rates of discount of the whole system of the United States! And yet there are certain people who think the Canadian system could be adapted to the United States.

The Canadian banks habitually carry large balances in New York and London, and in times of difficulty rely for support upon these great financial centers. Competent authorities base the success of the Canadian system upon their extensive use of branches.

Of course I realize that there are in this country

a great many intelligent men who think we ought to have a system of branch-banking like the Canadian system. But unless I greatly mistake the character of the American people, that will never be possible. In my judgment, any system which is to be adopted in this country must recognize the rights and the independence of the twenty-five thousand separate banks in the United States. Of course you realize that in banking, as in everything else, the personal equation must always remain one of the most important elements in business transactions. The men who borrow from small country banks, or from banks in the larger towns --- who have been accustomed to dealing in this respect with neighbors and friends, who have a sympathetic appreciation of their wants --- will not be willing to consent to legislation that shall authorize the displacing of such banks by agents sent from the banks of New York or of Chicago to conduct the business in these smaller communities --- men whose first interest (I am almost tempted to say, whose only interest) would be to earn the most money they could for their principals, and who naturally would have but little, if any, concern for the development of the communities in which they were

located.

So I think I can say with certainty that any system or organization that we may adopt must be engrafted upon existing conditions. We cannot impair the usefulness of existing banks, or take away any of their functions. If we are to have an organization outside of them and outside the present organization of clearing-houses, it must be one that will be the servant and not the master of existing organizations. We shall have to consider existing conditions. We must remember that after all, monetary science is not an exact science. Political economy has no laws that can be applied to every community under all circumstances. That system is best for any country which best responds to the needs and requirements of its people.

(At this point Senator Aldrich paused and looked at his watch, amid cries of: "Go on!", and great applause.)

Mr. Stetson has alluded to the fact that he is not sure whether I have a plan or not. I have a plan, which I will talk about a little later. (Laughter.) But at present I may say that the Commission have not yet taken up or considered the question as to the proper plan to be adopted by the United States; and they will not take up



or consider that question until the case is fully presented to the American people, and we can secure their judgment and co-operation in the adoption of some plan which we trust will be for the benefit of all the country. (Applause.)

I have had occasion to say on a number of occasions during the last two weeks that so far as I am concerned, if I were given a blank sheet of paper, with absolute authority to write upon it the terms and conditions of a banking and currency bill that I thought ought to be adopted by the United States, I could not do it. Eighteen months ago I thought I had some knowledge of the subject. I had been studying these questions for thirty years. But the subject is so vast, and involves so many collateral questions that are intricate and complex in their character, that it would not be possible for me or any other man, without more careful study than I have yet been able to give the question, to determine what plan should be adopted. I have approached this question with an absolutely open mind; and I know I speak for every member of the Commission when I say that each of them has approached it in the same spirit. I have only one request to make of the thoughtful people of the United States, and that is that they keep their minds

open until the case can be fully presented to them.

I have been greatly gratified by the fact that on every hand thoughtful men have refrained from expressions of opinion upon this subject; that so far as I know they are uniformly willing to await the examination of the information we shall give you in the literature described in the list that has been submitted to you tonight; and that when this information has been looked into they will take up with us this great subject, carefully and with open minds, ready to consider the question of a practical plan and its actual operation.

I realize, perhaps more fully than any of you, the difficulties that will confront us in the construction of a plan. I know that there is something in the human mind which apparently makes men like to think and talk about questions of this kind. I think it was McCloud who said that the study of the monetary question was one of the great causes of insanity. (Laughter.)

We shall be confronted with all classes of men who make up their minds promptly and offhand. We are confronted with danger from two classes --- one class of men who are cocksure that they know now just what system should or

should not be adopted; and another class composed of demagogues, who are attracting public attention to themselves by their statements, made expressly for self-exploitation.

I realize fully that these questions of monetary reform naturally move slowly. A whole generation elapsed between the report of the bullion committee in 1810 and the adoption of the Peel Act in 1844. The banker who has been referred to, Bagehot, in his classical work "Lombard Street", refers to the fact that in 1873 --- twenty-five years, or less than a generation, after the Act of 1844 was passed --- conditions had so changed that the arguments and statements upon which that act was based had no longer any force. We are now a generation away from Mr. Bagehot, who has had no successor. Nothing has been written upon the practical side of financial systems and banking operations since Bagehot's work was published. But during that time a wonderful work of development has gone on; and as I have already stated, the conditions of today are as unlike those of 1844 as can possibly be imagined.

We shall be confronted with people who will insist that the subject is so great and so vast that we cannot do anything with it; that we must sit down and meekly submit

to whatever result may follow. But I greatly mistake the temper and intelligence of the American people if the decision and settlement of this question can be long delayed. It means too much --- it has too much vital interest to every person in the United States --- for delay to be possible.

It is said that we shall not be able to solve the problem on account of differences with reference to localities, or prejudices as between New York and Chicago, for instance, or between Chicago and the great cities of the Mississippi Valley. But this question will never be settled satisfactorily until it is settled from a national standpoint. (Applause.) I believe fully in the solidarity of interest between all sections and all the people of the United States. We cannot have prosperity in New York and adversity in Chicago. We cannot have prosperity in Chicago and adversity in New York. What affects one section necessarily affects others.

I said I had a plan: I have one which was suggested by the Ambassador from France --- a plan which will make the United States the financial center of the world. (Applause.) To this position the United States is entitled by virtue of her resources and her vast accumulations

of present and prospective wealth.

It is said that we shall encounter political questions; that any organization we may suggest will be defeated on account of the political prejudices of the past or of the present; and criticisms are made of the First and Second Banks of the United States. I know of no person who would think for a moment of suggesting a system or an organization similar in any respect to either the First or the Second Bank of the United States. Conditions have entirely changed since their day. There are a dozen banks in New York, and scores of them in various other parts of the country, that are more important in their operations and their character than either of those banks. But I have the utmost confidence in the intelligence and good judgment of the American people. (Applause.) And I believe that if it should be thought wise by you, by the Commission, by the consensus of intelligent opinion of the people of the United States, to adopt any system, neither the political prejudices of the past nor the ghost of Andrew Jackson (who died many years ago) will stand in the way of the adoption of a plan that we all believe to be for the best interests of the people of the United States.

None of the great banks to which I have alluded have ever been influenced in their action by any political party or by any government. Take the case of the Bank of France, for example: The Bank of France was organized under the direction of the first Napoleon. A provision was put into its great charter that its governor should be appointed by the Chief of State --- not by the Emperor, not by the King, not by the President, but by the Chief of State.

When I was in Paris last year I met the grandson of one of Napoleon's great marshals, who was then investigating the early history of the Bank of France. He had in his possession a dispatch sent by Napoleon from the field of Austerlitz just after the battle, in which he called the attention of the representative of the Bank of France to the fact that in his opinion the success and permanence of that institution were of more consequence to the people of France than the victories he was achieving. (Applause.)

From that day to this the Bank of France has always been the bank of France indeed --- the bank of the people of France, upholding her credit and her honor. No ministry, no party, could afford to ignore for a moment this great

fact. Dismissal and dishonor would overtake any ministry or party that endeavored for a moment to influence the action of that great institution.

The Bank of France has gone on under emperors, under kings, under revolutionary governments, and under the Republic, always the bank of the State, the bank of the people of France. Even during the time of the Commune the notes of the Bank of France were current, and the premium upon gold in Paris was less than the premium upon gold in New York in 1907. This shows something of the character of this great institution, which has a place in the heart of every Frenchman that is absolutely secure. No one of the great banks ever has been or ever could be controlled by any political influence.

The task before you and before us means too much, and has too far-reaching results, for us to think for a moment that any plan that would be the football of politics could or would be adopted. I realize, however, that already it is sought, by means of political influences, to discredit any action of the Commission. I know that already professional writers are erecting men of shreds and patches in this great field of discussion (I was brought up on a farm, where I had to construct scarecrows, myself), for

the purpose of pulling them limb from limb, and calling attention to the fact that after all they are not men of life and of action.

We shall meet all these classes of people. But we shall, of course, expect criticism of any plan we may recommend. Honest criticism is the best thing we can possibly have if we are to secure wise results. And I am confident that when we do reach a conclusion --- which cannot be for many months yet --- we shall have the co-operation of the economists and the business-men of this great financial center. If we do not have it, it will not be because we shall not appeal earnestly, as I do now, for your assistance in the solution of this great problem. That is the only word as to plans or as to the future that the Monetary Commission has to utter tonight. And I shall be greatly disappointed if your response is not along the line of a patriotic decision.

(Great applause, followed by three cheers and a vote of thanks.)

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