NELSON ALDRICH

Monetary Commission

MISCELLANY

B A N K   O F   E N G L A N D

(1) When was the Bank of England founded?

(2) When does your present charter expire?

(3) What is the par value and present selling price of your shares?

(4) How many stockholders have you?

(5) Is the stock fully paid?

(6) Have your shareholders any liabilities in addition to the ownership of shares?

(7) Is there any limit to the number of shares which may be held by any one person, and is your approval required before a transfer of your stock can be made?

(8) How often do your shareholders meet?

(9) Does every share have a vote at shareholders meetings?

(10) What control have the shareholders over the management and conduct of the business?

(11) Has the Government any voice in the management of the bank or any interest in it through the ownership of shares?

(12) Describe the organization and management of the Bank, stating the number of officers and directors with their respective functions, and for what periods and by whom are they elected?

(13) Is it customary to re-elect directors at the expiration of their terms?

(14) Is there any custom restricting the class from which the directors may be selected?

(15) How frequently do the directors meet?

(16) How many branches have you?

(17) How are your branches managed?

(18) Who names the managers of branches?

(19) Have the managers of the branches full control of the business in granting discounts, etc; if not, what discretion is usually given them?

(20) Have you any system of distribution of profits among the managers of branches?

(21) Are all your branches of the same class, or have you main and subsidiary branches?

(22) Is the business conducted at your branches of the same class as at your main office in London?

(23) Do your branches have business relations with merchants, farmers, and all classes of people in their respective localities?

(24) How frequently are you required by law to publish statements of condition?

(25) How frequently is it your custom to publish them?

(26) Is either your Issue or your Banking Department at any time examined by the Government, or in any way under its supervision?

(27) What local or general taxes are paid by the Bank?

(28) Is the Bank of England a member of the London Clearing House?

In the statement of your Issue Department you show

Liabilities		Assets	
Notes issued	53,364,645	Government debts	11,015,100
		Other securities	7,434,900
		Gold coin & bullion	34,914,645
	53,364,645		53,364,645

(29) What is the law governing your note issues, and how are note issues limited and how secured?

(30) Will you explain the items "Government debts" and "Other securities" in the statement, and give the reasons for the changes in amount since 1844?

(31) To what extent are your notes legal tender in Great Britain?

(32) What other banks have the right of issue in England?

(33) Are the notes of other issuing banks secured, and if so, how?

(34) What is the total amount of their outstanding issues?

(35) Are the notes of other banks legal tender?

(36) Is there any discrimination between the notes of other banks and your notes in the public estimation, or do all circulate freely throughout the country?

(37) Do you pay the Government in the form of taxes or otherwise, either directly or indirectly, for your privilege of note issue?

(38) Do other issuing banks pay for the privilege of note issue?

(39) Have you acquired the right of issue from any other banks, and upon what terms?

(40) To what do you attribute the weekly and seasonal fluctuations in the amount of outstanding notes, and are these fluctuations constant from year to year?

(41) Are you willing to inform us as to the expenses of note issue and the profits derived therefrom?

(42) Under what conditions or terms has your capital been increased from time to time?

(43) Have the obligations of the Bank to the public or to the Government been changed from time to time?

(44) Are you required by law to invest your capital, or any part of it, in any particular securities? If so, in what class and to what amount?

(45) Does the law require that before full distribution of profits you shall accumulate and maintain a certain amount of rest (Surplus), and are you required to invest this in any particular way?

Referring to the weekly statement of your Banking Department, dated Aug. 12, 1908, you show Public Deposits, £5,145,638.

(46) Will you explain the character of these deposits, stating in general from what Departments they are received?

(47) Does the Government have accounts with other banks?

(48) Do you allow interest upon these deposits?

(49) Are you required to furnish security for them?

(50) Approximately to what extent do the public deposits fluctuate from time to time during the year, and can the extent of these fluctuations be predicted?

(51) You show "Other deposits, £45,546,992". Will you tell us in a general way from whom these deposits are received. Do they include deposits received from banks, merchants and individuals?

(52) Do you allow interest upon any of these deposits?

(53) Are they subject to considerable fluctuations, and are these fluctuations regularly recurrent?

(54) Are all of these deposits payable on demand?

(55) Do you at any time allow interest on special deposits?

(56) Will you describe the item "Seven day and other bills"?

(57) In the statement of assets, what constitutes the item "Government securities £15,532,293?

(58) Is it your custom to carry in your Banking Department about this amount in Government securities?

(59) What proportion of the item, "Other securities, £27,737,982", represents bills discounted, and what proportion represents loans on collateral?

(60) What, if any, other securities except these are included in the item?

(61) Can you state approximately the average length of time and the average size of bills discounted by you?

(62) Is the character of your discounts or loans regulated or restricted by law or fixed by the statutes of the Bank?

(63) Will you state the class of bills usually discounted by you, giving the number of names required, the minimum size, and the maximum length of time to run?

(64) What classes of collateral are accepted by you for loans?

(65) Will you state approximately the average length of time and the average size of loans on collateral?

(66) What is the distinction between what are known as "prime bills" and other bills?

(67) Do you discount any but prime bills?

(68) What is the usual difference in the rate charged by you upon a prime bill and for a high class loan secured by collateral having the same period to run?

(69) What is the difference between a trade bill and a finance bill? Is the rate the same on each?

(70) Do you discount to any considerable amount directly for individuals and merchants?

(71) Is it your custom to employ your surplus funds in the purchase of bills from discount houses?

(72) Do you rediscount bills for the joint stock or other banks?

(73) What changes have taken place from time to time in the character of the bills you accept for discount from discount houses, and what was the purpose and effect of the changes?

(74) Is the rate for discount at your branches for customers' paper and for prime bills the same as at the central office?

(75) What are the rules governing the purchase by you of foreign bills?

(76) Will you explain the distinction between a foreign and a domiciled bill?

(77) Is it your custom to discount any bills payable in foreign countries?

(78) Do you sometimes purchase prime bills in the market at a lower rate than the bank rate?

(79) Would you charge a merchant having a good account with you the bank rate or the market rate for prime bills?

(80) To what extent does the bank rate govern your discount and loan transactions?

(81) Is the amount of accommodation extended by you to discount houses or others predicated upon the amount and character of balances carried with you, or governed by the necessities of the general situation?

(82) Do you at times discount bills for parties having no account with you?

(83) Are a considerable number of your loans on call?

(84) Do you allow overdrafts, or do you make any advances of the kind made by the Scotch banks called "cash credits"?

(85) In view of the fact that you receive accounts from corporations, merchants and individuals, and discount for them, are you not in a measure a competitor for business with the joint stock banks?

(86) Is the Bank, through its branches, employed by other banks to any considerable extent for the transfer of funds from one city to another?

(87) What specific services are rendered by the Bank to the Government in connection with the management of the public debt, and as a depositary of public funds?

(88) Does the Bank receive any compensation for such services?

You show in your statement, "Notes, £23,838,855, Gold and silver coin, £1,636,258", being 50% of your deposit liabilities.

(89) Is there any general rule of the Bank with reference to the percentages of cash reserve held in the Banking Department against deposit liabilities?

(90) Do the banks of England, Scotland and Ireland have balances with you, and are these balances regarded as a very important part of their cash reserves?

(91) Can you estimate the percentage of cash (coin and notes), to deposit liabilities in all the banks of England, including the Banking Department of the Bank of England?

(92) How and by whom is the bank rate fixed?

(93) When and under what conditions is the bank rate changed?

(94) Is any notice given in advance of an intended change?

(95) Do you regard prompt and adequate increase in the bank rate as the most effective measure to protect the Bank's reserves?

(96) Does the raising of the bank rate ever fail to attract gold and change the course of exchanges?

(97) How do you account for the fact that at times a higher bank rate in England fails to attract gold from the Continent when lower rates prevail there?

(98) Is the raising of the bank rate more effective in controlling gold movements now than at the time of the last suspension of the Bank Act in 1866?

(99) To what do you attribute this increased efficiency?

(100) What effect did raising the rate in the period from October, 1907, to January, 1908, have upon the Bank's gold supply?

(101) From how many countries did the Bank receive gold as a result of the increase at that time?

(102) If the maximum rate of 7% fixed by the Bank had not been sufficient to attract gold, would the rate have been further increased?

(103) Do you take other steps in addition to raising the bank rate to protect gold in times of a crisis?

(104) Is it customary at such times to advance money without interest to importers of gold to cover the time required in transportation?

(105) Is it the practice of the Bank in times of stress to discount bills of a satisfactory character for its customers freely?

(106) Is it the policy of the Bank to discriminate against finance bills in times of financial crises?

(107) Does the understood policy of the Bank of England to advance bank rates rapidly and at the same time to extend liberal credit in times of serious financial trouble, meet with general approval in business and banking circles?

(108) Does the Bank sometimes borrow money in the open market for the purpose of raising the market rate?

(109) Do you sometimes sell Consols for the same purpose?

(110) What are the provisions of law with reference to the purchase of gold by the Bank?

(111) What is the usual price paid by the Bank for gold purchased?

(112) Does the Bank under some conditions advance its rate for gold purchases?

(113) Under what circumstances and to what extent does the Bank charge a premium for gold bullion or foreign coin?

(114) Is the gold purchased by the Bank sent to the Mint, or deposited in the Issue Department and notes issued against it?

(115) Is London the only free market for gold in Europe?

(116) Do the joint stock and other banks rely upon the reserves of the Banking Department of the Bank of England as their ultimate resource in case of trouble?

(117) Do you favor an increase in the fiduciary note circulation?

(118) Do you favor the issue of one pound notes?

(119) If not, what is the reason for your objection?

(120) Does the proposition for a secondary gold reserve meet with approval?

(121) Is it desirable that bank reserves generally should be strengthened?

(122) Has the experience of the United Kingdom with reference to note issues under the legislation of 1844 and 1845 been satisfactory?

(123) With respect to the monopoly of note issue, are any modifications or amendments to the bank acts suggested, and if so, what is the nature of the proposals?

(124) Is there any substantial demand for what we in America call "greater elasticity" in volume of currency (notes and coin) to answer business demands?

(125) Is there any inclination to adopt the Germanysystem of taxed issues for emergencies or some modification of it?

(126) Is there any tendency to return to the system of note issue in existence prior to 1844?

(127) Is there any contention in banking or economic circles that it is necessary to restore or extend the right of issue to banks other than the Bank of England, to enable them to increase their own profits or to afford adequate facilities to borrowers or to meet legitimate business demands?

(128) Has the rapidly increasing use of checks, bills of exchange, and other instruments of credit and clearing house facilities, rendered the enlarged employment of bank notes unnecessary?

(129) What, if any, artificial means are taken by you to secure changes in the volume of currency (notes and coin) to make it responsive to business demands?

(130) What effect has a marked increase in the commercial and industrial activities of Great Britain on the volume of note issues?

Suggested questions for Joint-Stock banks

Will you give us a brief history of ~~your~~ the ~~institution~~, stating whether it originated in London, or in the country; whether its business to-day is confined to London or is also conducted through branches in provincial cities and in small towns?

How many branches have you?

In the main have they been created by you or have they been formed from the absorption of independent banks.

What is the par value of your shares? What dividends do you pay? What is the present market price of your shares?

How many stockholders have you?

Is the stock fully paid? If not, what additional payments can be called for the development of business, and what in case of liquidation?

Does the law require that before full distribution of profits you shall accumulate and maintain a certain amount of surplus (reserve fund), and are you required to invest this in any particular way?

Is there any limit to the number of shares which may be held by any one person, and is your approval required before a transfer of your stock can be made?

How often do your shareholders meet?

Does every share have a vote at shareholders' meetings?

Describe the organization and management of the Bank, stating the number of officers and directors with their respective functions, and for what periods and by whom are they elected?

Is it customary to re-elect directors at the expiration of their terms?

How frequently do the directors meet?

How are your branches managed?

Who appoints the managers of branches?

Have the managers of the branches full control of the business in granting discounts, etc.; if not, what discretion is usually given them?

Have you any system of distribution of profits among the managers of branches?

Are all your branches of the same class, or have you main and subsidiary branches?

Is the business conducted at your branches of the same class as at your main office in London?

Do your branches have business relations with merchants, farmers, and all classes of people in their respective localities?

How frequently are you required by law to publish statements of condition?

How frequently is it your custom to publish them?

What local or general taxes are paid by the bank?

State the distinction between current accounts and deposit accounts?

Do you pay interest upon either or both? If so, does the rate vary upon different classes of accounts?

Does the rate vary as between London and the country? If so, what is the usual difference in percentage?

What governs the fluctuations in the rates paid?

What percentage of your deposits are payable on demand?

Explain in general the arrangement made by you with your customers for the acceptance of drafts drawn by them, stating the usual length of time, whether they are secured, and the customary charge for such service?

Describe the character of your assets constituting the item "Money at call and short notice"?

Is it customary to confine your investments in securities to Government and public securities, or do you purchase stocks and bonds of railways and other independent corporations?

Are you required by law to invest your capital or any part of it in any particular securities? If so, in what class, and to what amount?

Is it your practice to invest an amount equal to your capital in securities, and if so, in what general class of securities?

Describe the general character of your bills discounted, including their average size, their average length of time, and the number of names required?

What is the minimum size and what is the maximum length of time to run for bills discounted by you.

What classes of collateral are accepted by you for loans?

Will you state approximately the average length of time and the average size of loans on collateral?

What is the distinction between what are known as "prime bills" and other bills?

What is the usual difference in the rate charged by you upon a prime bill and for a high class loan secured by collateral having the same period to run?

What is the difference between a trade bill and a finance bill? Is the rate the same on each?

Do you discount to any considerable amount directly for individuals and merchants?

Is it your custom to ~~employ~~ deposit your surplus funds with discount houses ~~in the~~ purchase of bills ~~from discount houses~~? or do you use them in this

Would you charge a merchant having a good account with you the bank rate or the market rate for prime bills?

To what extent does the Bank rate govern your discount and loan transactions?

Largely determined by

Is the amount of accommodation extended by you to ~~discount houses or others predicated upon~~ customers the amount and character of balances carried with you, ~~or governed by the necessities of the general situation~~?

Do you at times discount bills for parties having no account with you?

Are a considerable number of your loans on call?

Do you allow overdrafts, or do you make any advances of the kind made by the Scotch banks called "cash credits"?

Is there any general rule in your bank with reference to the percentage of cash and balances in the Bank to the deposit liabilities?

Can you estimate the percentage of cash, (Coin and notes) to deposit liabilities in all the banks of England, including the Banking Department of the Bank of England?

out

Do you regard prompt and adequate increase of the Bank rate as the most effective measure to protect the ~~Bank~~'s re- Bank of England serves?

Does the raising of the Bank rate ever fail to attract gold and change the course of exchanges?

How do you account for the fact that at times a higher Bank rate in England fails to attract gold from the Continent when lower rates prevail there?

Is the raising of the Bank rate more effective in controlling gold movements now than at the time of the last suspension of the Bank Act in 1866?

Deferred [illegible]

To what do you attribute this increased efficiency?

What effect did raising the rate in the period from October, 1907, to January, 1908, have upon the Bank's gold supply?

What other steps are taken in addition to raising the Bank rate, to protect the outflow of gold in times of a crisis?

Is it customary at such times to advance money without interest to importers of gold to cover the time required in transportation?

Is it the policy of the Bank of England to discriminate against finance bills in times of financial crises?

Does the understood policy of the Bank of England to advance bank rates rapidly and at the same time to extend liberal credit in times of serious financial trouble, meet with general approval in business and banking circles?

Is London the only free market for gold in Europe?

Do the joint stock and other banks rely upon the reserves of the Banking Department of the Bank of England as their ultimate resourse in case of trouble?

Do you favor an increase in the fiduciary note circulation?

Do you favor the issue of one pound notes?

If not, what is the reason for your objection?

Does the proposition for a secondary gold reserve meet with approval? If so what should be its character and extent

Has the experience of the United Kingdom with reference to note issues under the legislation of 1844 and 1845 been satisfactory?

With respect to the monopoly of note issue, are any modifications or amendments to the bank acts suggested, and if so, what is the nature of the proposals?

Is there any substantial demand for what we in America call "greater elasticity" in volume of currency (notes and coin) to answer business demands?

Is there any inclination to adopt the German system of taxed issues for emergencies or some modification of it?

Is there any tendency to return to the system of note issue in existence prior to 1844?

Is there any contention in banking or economic circles that it is necessary to restore or extend the right of issue to banks other than the Bank of England, to enable them to increase their own profit or to afford adequate facilities to borrowers or to meet legitimate business demands?

Has the rapidly increasing use of checks, bills of exchange, and other instruments of credit and clearing house facilities, rendered the enlarged employment of bank notes unnecessary?

What effect has a marked increase in the commercial and industrial activities of Great Britain on the volume of note issues?

REPORT of the condition of "The ____________________________"

At............,in the State of............,at the close of business on the .... day of ...., 190 .

RESOURCES

1. Loans and Discounts (see schedule)

2. Overdrafts, secured,$........; unsecured,$...........

3. Bonds, Securities, etc., including premium on same (see schedule)

4. Banking House, $..........; Furniture and Fixtures $.........

5. Other Real Estate owned

6. Due from National Banks

7. Due from State and Private Banks and Bankers, Trust Companies, and Savings Banks

8. Checks and other Cash Items

9. Exchanges for Clearing House

10. Actual Cash on hand

(Gold Coin
(Gold Certificates
(Silver Dollars
(Silver Certificates
(Subsidiary and minor coins
(Legal-Tender Notes
(National Bank Notes

TOTAL

LIABILITIES

1. Capital Stock paid in

2. Surplus fund

3. Undivided Profits (including amounts, if any, set aside for special purposes, except Item 17). Less Current Expenses, Interest, and Taxes paid

4. Due to National Banks

5. Due to State and Private Banks and Bankers, Trust Companies and Savings Banks

6. Dividends unpaid

7. Individual Deposits subject to Check

8. Savings Deposits and Deposits in interest department

9. Demand Certificates of Deposit

10. Time Deposits including Time Certificates of Deposit payable after thirty days

11. Trust Deposits

12. Certified Checks

13. Treasurer's and Cashier's Checks outstanding

14. Bonds Borrowed

15. Notes and Bills rediscounted

16. Bills payable, including Certificated of Deposit representing money borrowed

17. Reserved for Taxes

18. Accrued Interest

19. Liabilities other than those above states

TOTAL

CLASSIFICATION OF LOANS AND DISCOUNTS.

A. On demand, paper with one or more individual or firm names

B. On demand, secured by stocks, bonds, and other personal securities

C. On time, paper with two or more individual or firm names

D. On time, single name paper (one person or firm) without other security

E. On time, secured by stocks, bonds, and other personal securities

F. Secured by real estate mortgages or other liens on realty

TOTAL (Item 1, Resourses)

- -

CLASSIFICATION OF SECURITIES

1. Domestic Securities:

(a) United States Bonds
(b) State, County, and Municipal Bonds
(c) Railroad Bonds
(d) Bonds of other public service corporations (including street and interurban railway bonds)
(e) Other bonds
(f) Stocks

2. Foreign Securities:

(a) Government Bonds
(b) State, County, and Municipal Bonds
(c) Railroad Bonds
(d) Bonds of other public service corporations
(e) Other Bonds
(f) Stocks

Synopsis of Examination of M. Georges Pallain,

Governor of the Bank of France,

BY

Sub-Committee of the National Monetary Commission,

Consisting of

Mr. Vreeland of New York, Vice-Chairman,

Mr. Overstreet, of Indiana,

Senator Daniel, of Virginia.

Memorandum made by Mr. Overstreet,

Paris, France,

August 24th, 1908.

The capital of the Bank of France is 182,000,000F, divided into shares of 1,000 F each, held by shareholders numbering between 29,000 and 30,000. The charter was renewed in 1897 and expires in 1920. Under the provision the Parliment, by taking action in 1911, may terminate the charter one year later, in 1912. A Governor and two Vice-Governors are proposed by the Ministry and serve indefinitely. In the absence of the Governor one of the Vice-Governors represents him. The court or general counsel of the Bank consists of ~~xxxxx~~ fifteen regents and three censors, who are chosen annually by the two hundred largest shareholders of the Bank. The Governor must own one hundred shares, the Vice-Governors fifty shares, and the regents thirty shares each. The court of regents and censors meets each Thursday. It is divided into committees of varying duties. The Bank rate is proposed by the Governor and very generally accepted without change by the court(or board of Directors), and continues until changed by a new proposal from the Governor.

The maximum note issue authorized is 5,800,000,000 F. The actual note issue on August 24th was 4,660,000,000 F. The total issue outstanding varies frequently, but is always greatest at the crop moving period. He was unable to state the difference in the issue at that period. There are no banks of issue other than the Bank of France. Many years have passed since any suggestion has been made for a change in the method of issue. The last suggestion was by the father-in-law of the present manager of the Credit Lyonais, who proposed in Parliment a law opening note issue to competition. It met with little favor then.

No payment is made to the Government for note issue or any other privilege. The taxes, however, are considerable, amounting to approximately 13 per cent of the profits of the Bank, including interest on the cash reserve, computing it at the Bank rate. The tax on circulation is 50 C.on the 1,000 F. and the tax on the cash in the Bank is 20 C.on the 1,000 F. The notes are considered in circulation when paid out over the counter. When received at the Bank, they are not cancelled, but are again paid out as long as they are in proper condition. The average life of a note is three years. The Bank redeems its notes under the law in specie(either gold or silver), but since 1880 redemption has been practically in gold. The Bank,however, determines this. The same rule is followed at the several branches. Sometimes the Bank offers gold for silver at a premium, as an alternative.

Independent banks sometimes keep on deposit with the Bank of France their surplus funds, but gold will not be received for special deposit upon agreement to pay in kind, but must be treated like all other deposits, by taking credit on the books for the deposit-all depositors thereby being on an equality.

Anyone can open an account for deposit who is known to the Bank, the minimum being 500 F. After an account is once opened the depositor may discount paper as low as 5 F., provided it meets with all other requirements. No promissory notes are used, but the debt is evidenced by bills and letters of exchange. The time on bills cannot exceed three months. Three names or endorsers are required. About eighty percent of the paper now held bears the signature of some bank as one of the three endorsers. The Bank never pays interest on deposits.

The use of checks in the country is not general, and there is no tendency to increase such use. The revenue stamp on checks does not retard their use materially. Notes are used more than coin, and there is no sentiment for a lower note than now in use. The lowest denomination is 50 F. Hoarding of money is practiced less than formerly, but is still condiderable, especially gold. The total gold of xxx xxxx xx France is estimated at 6,000,000,000.F. The Bank of France holds 3,225,000,000 F. and the remainder is in the post offices and branches is 1,278,000,000 F. The postal-bank has been in operation since 1882,- the private savings banks since 1815. The growth of the postal bank greatly injures the growth of the private savings banks.

There is limited liability of shareholders in joint stock banks, the limit being the amount of the share. Private banks are not limited in liability. Notices for withdrawal of funds are controlled by a variety of elements, including time, amount, and general character of the account.

There is no examination by the Government of joint stock banks, except to ascertain the proper payment of the stamp duties. There is no general examination by the Government of the Bank of France, but the Ministry of Finance is privileged to ask for information from time to time. Annual statements of both the independent banks and the Bank of France are made, but the Bank of France issues a bulletin of balances each Thursday.

Neither the Governor nor Vice-Governor is permitted to be a member of either body of Parliment. No charge has ever been made of the Bank aiding or favoring either political party. There is never any claim that politics enters in any degree into the management of the Bank. Excepting the renewal of the charter in 1897, no legislation affecting the Bank has been had since 1857. There is no sentiment for any change in bank methods, nor for any new legislation.

(a) ENACTMENTS RE CIRCULATION AND ISSUE OF NOTES.

Section 61, of Bank Act (Vict. 53, Chap. 29) enacted that the total amount of notes in circulation should not exceed the amount of unimpaired paid-up capital. This Section was repealed by——

Section 61, of Bank Act (7-8 Edw. Chap. 7), 20th July, 1908, and banks are now permitted, during the season of moving crops (say, from 1st October to 31st January) to issue notes to an amount not exceeding 15% on combined paid-up capital and reserve. Interest on amount in excess of paid-up capital is charged by the Minister of Finance at a rate not greater than 5%, calculated on actual excess of circulation from day to day. The rate of interest until further notice was determined by the government, November 16th, '08, at 5%.

The only banks to avail themselves of the excess circulation to 31st October last were the following:

	Paid-up Capital	Circulation
Home Bank of Canada	$ 913,662.	$ 968,340.
Banque Nationale	1,800,000	2,105,127
Banque Provinciale	1,000,000	1,130,743
Metropolitan Bank	1,000,000	1,124,115
Union Bank of Canada	3,200,220	3,263,293

(b) NOTES OF THE CHARTERED BANKS OF CANADA IN CIRCULATION ON LAST DAY OF EACH MONTH FROM JANUARY, 1907 to OCTOBER, 1908.

	1907	1908
January	$68,219,717	$66,871,376
February	70,547,759	68,548,075
March	76,346,013	69,047,892
April	72,840,909	66,712,899
May	70,741,113	67,770,018
June	75,510,402	68,153,994
July	72,942,781	66,697,255
August	76,562,811	70,389,897
September	79,455,000	76,246,237
October	84,289,983	83,036,762
November	84,452,899	- - - -
December	77,504,398	- - - - -

Average 1907 $75,784,482

Average 1908 (10 months) $70,347,440

4

(c) DOMINION GOVERNMENT NOTES IN CIRCULATION

1. On 30th June, end of fiscal years:

1901	$27,671,452
2	32,780,387
3	39,006,199
4	41,574,783
5	47,334,222
6	49,941,427

On 31st March, end of fiscal year:

1907	$54,794,597

2. On last day of month:

	1907	1908
January	$56,476,282	$62,601,368
February	56,034,884	59,537,564
March	56,127,104	59,114,447
April	? ——	60,455,991.
May	57,020,249	61,767,448
June	56,086,331	62,664,837
July	58,316,531	63,058,125
August	58,316,531	66,606,953
September	60,518,531	72,714,683
October	61,917,157	76,378,442
November	63,491,544	----------
December	63,784,400	-----------

Arthur:

What is this?

UNITED STATES SENATE
PUBLIC DOCUMENT
FREE

Nelson W. Aldrich
U. S. S.

1. Will you give a brief history of your institution, stating whether it originated in London, or in the country; whether its business to-day is confined to London or is also conducted through branches in provincial cities and in small towns?

2. What is the par value of your shares? What dividends do you pay? What is the present market price of your shares?

3. How many stockholders have you?

4. Is the stock fully paid? If not, what additional payments can be called for the development of business, and what in case of liquidation?

5. Does the law require that before full distribution of profits you shall accumulate and maintain a certain amount of surplus (reserve fund), and are you required to invest this in any particular way?

6. Is there any limit to the number of shares which may be held by any one person, and is your approval required before a transfer of your stock can be made?

7. How often do your shareholders meet?

8. Does every share have a vote at shareholders' meetings?

9. Describe the organization and management of the Bank, stating the number of officers and directors with their respective functions, and for what periods and by whom are they elected?

10. Is it customary to re-elect directors at the expiration of their terms?

11. How frequently do the directors meet?

12. How many branches have you?

13. In the main have they been created by you or have they been formed from the absorption of independent banks?

14. How are your branches managed?

15. Who appoints the managers of branches, and are they usually selected from among subordinate officers in the same branch?

16. Have the managers of the branches full control of the business in granting discounts, etc.; if not, what discretion is usually given them?

17. Have you any system of distribution of profits among the managers of branches?

18. Are all your branches of the same class, or have you main and subsidiary branches?

19. Is the business conducted at your branches of the same class as at your main office in London?

20. Do your branches have business relations with merchants, farmers, and all classes of people in their respective localities?

21. How frequently are you required by law to publish statements of condition?

22. How frequently is it your custom to publish them?

23. Should more frequent and fuller bank returns be published?

24. What local or general taxes are paid by the bank?

25. State the distinction between current accounts and deposit accounts?

26. Do you pay interest upon either or both? If so, does the rate vary upon different classes of accounts?

27. Does the rate vary as between London and the country? If so, what is the usual difference in percentage?

28. What governs the fluctuations in the rates paid?

29. What percentage of your deposits are payable on demand?

30. Explain in general the arrangement made by you with your customers for the acceptance of drafts drawn by them, stating the usual length of time, whether they are secured, and the customary charge for such service?

31. What is included under the item "Cash on hand" in your statement?

32. Describe the character of your assets constituting the item "Money at call and short notice"?

33. Is it customary to confine your investments in securities to Government and public securities, or do you purchase stocks and bonds of railways and other independent corporations?

34. Are you required by law to invest your capital or any part of it in any particular securities? If so, in what class, and to what amount?

35. Is it your practice to invest an amount equal to your capital in securities, and if so, in what general class of securities?

36. Describe the general character of your bills discounted, including their average size, their average length of time, and the number of names required?

37. What is the minimum size and what is the maximum length of time to run for bills discounted by you.

38. What classes of collateral are accepted by you for loans?

39. Will you state approximately the average length of time and the average size of loans on collateral?

40. What is the distinction between what are known as "prime bills" and other bills?

41. What is the usual difference in the rate charged by you upon a prime bill and for a high class loan secured by collateral having the same period to run?

42. What is the difference between a trade bill and a finance bill? Is the rate the same on each?

~~43. Do you discount to any considerable amount directly for individuals and merchants?~~

43 ~~44.~~ Is it your custom to employ your surplus funds in the purchase of bills from discount houses?

44 ~~45.~~ Do you frequently employ surplus funds in loans on call to dealers in securities?

45 ~~46.~~ Would you charge a merchant having a good account with you the bank rate or the market rate for prime bills?

~~47.~~ 46 To what extent does the Bank rate govern your discount and loan transactions?

~~48.~~ 47 Is the amount of accommodation extended by you to discount houses or others predicated upon the amount and character of balances carried with you, or governed by the necessities of the general situation?

~~49.~~ 48 Do you at times discount bills for parties having no account with you?

~~50.~~ 49 Are a considerable number of your loans on call?

50 Do you allow overdrafts, or do you make any advances of the kind made by the Scotch banks called "cash credits"?

~~52.~~ 51 Is there any general rule in your bank with reference to the percentage of cash and balances in the Bank to the deposit liabilities?

52 Can you estimate the persentage of cash, (Coin and notes) to deposit liabilities in all the banks of England, including the Banking Department of the Bank of England?

53 Do you regard prompt and adequate increase of the Bank rate as the most effective measure to protect the Bank's reserves?

54 Does the raising of the Bank rate ever fail to attract gold and change the course of exchanges?

55 How do you account for the fact that at times a higher Bank rate in England fails to attract gold from the Continent when lower rates prevail there?

56 Is the raising of the Bank rate more effective in controlling gold movements now than at the time of the last suspension of the Bank Act in 1866?

57 To what do you attribute this increased efficiency?

59\. What effect did raising the rate in the period from October, 1907, to January, 1908, have upon the Bank's gold supply?

60\. What other steps are taken in addition to raising the Bank rate, to protect the outflow of gold in times of a crisis?

61\. Is it customary at such times to advance money without interest to importers of gold to cover the time required in transportation?

~~62.~~ 58 Is it the policy of the Bank of England to discriminate against finance bills in times of financial crises?

~~63.~~ 59 Does the understood policy of the Bank of England to advance bank rates rapidly and at the same time to extend liberal credit in times of serious financial trouble, meet with general approval in business and banking circles?

~~64.~~ 60 Is London the only free market for gold in Europe?

~~65.~~ 61 Do the joint stock and other banks rely upon the reserves of the Banking Department of the Bank of England as their ultimate resource in case of trouble?

~~66.~~ 62 Do you favor an increase in the fiduciary note circulation?

~~67.~~ 63 Do you favor the issue of one pound notes?

~~68.~~ 64 If not, what is the reason for your objection?

~~69.~~ 65 Does the propostion for a secondary gold reserve meet with your approval?

66 ~~70.~~ Has the experience of the United Kingdom with reference to note issues under the legislation of 1844 and 1845 been satisfactory?

~~71.~~ 67 With respect to the monopoly of note issue, are any modifications or amendments to the bank acts suggested, and if so, what is the nature of the proposals?

~~72.~~ 68 Is there any substantial demand for what we in America call "greater elasticity" in volume of currency (notes and coin) to answer business demands?

~~73.~~ 69 Is there any inclination to adopt the German system of taxed issues for emergencies or some modification of it?

~~74.~~ 70 Is there any tendency to return to the system of note issue in existence prior to 1844?

~~75.~~ 71 Is there any contention in banking or economic circles that it is necessary to restore or extend the right of issue to banks other than the Bank of England, to enable them to increase their own profit, or to afford adequate facilities to borrowers, or to meet legitimate business demands?

~~76.~~ 72 Has the rapidly increasing use of checks, bills of exchange, and other instruments of credit and clearing house facilities, rendered the enlarged employment of bank notes unnecessary?

~~77.~~ 73 What effect has a marked increase in the commercial and industrial activities of Great Britain on the volume of note issues?

~~78.~~ 74 What, in your opinion, is the effect of branch banking and the amalgamation of banks:
- (a) Upon the amount of cash held by the banks?
- (b) Upon local bank rates?
- (c) Upon the prosperity and development of communities?

(v) The later History of the Riksbank

As already stated, the Riksbank was put on a new footing in 1830, when the circulation of the bank's notes at 37½ per cent of the silver represented by their face-value was authorised. Its capital was fixed at 4,400,000 bank dalers, or 6,600,000 dalers currency, the balance of an advance to the State for war purposes in 1808. On the resumption of specie payments in 1834, it was found possible to provide a capital-fund of 7,500,000 dalers currency, which was increased to 15,000,000 from 1st January 1845 by a transfer from the reserve fund which had been accumulated in the meantime. In 1864 the capital reached 25 millions, 30 millions in 1879, 35 millions in 1882, in 1885 40 millions, in 1890, 45 millions, and it was fixed at 50 millions, which it had reached in 1893, by the law of 1897. The fixed reserve fund remained at 5 millions from 1873, when it was first reached, till 1900. At the end of 1902 a special fund of 12½ millions was constituted out of reserved earnings for a special class of loans and, by the end of 1908, in addition to a reserve fund of 10,419,000 kronor, an almost equal sum in surplus – not definitely assigned to the reserve fund–was able to be shown in the balance sheet. Thus a sum of 83,323,708 kronor (say $22,220,000) represents what in privatelyowned banks, would be proprietors' funds employed in the business. This has been accumulated entirely out of profits, and that in spite of the constant payment of a large share of those profits to the public funds. Thus, of the net profits of the years 1835-39 the National Debt Office received 70 per cent, though of those of the following 4 years it received none. For 1844-47, and again for 1851-53, and for 1860-65, it received a very large part of the profits, while for 1867 it received the whole of them.

While the bank gradually struggled to accumulate the capital of 25 millions originally contemplated in 1830, and only attaining it in 1864, the reserve-fund originally intended not being attained for another decade, in the 30 years 1834-64 the National Debt Office was assigned 26½ millions of profits to the 17½ millions reserved for adding to the bank's capital. In the next 10 years 1865-74, 11 out of 18 millions of net profits were assigned to the National Debt Office; in the 10 years, 1875-84, the Bank retained 13 millions and the National Debt Office was assigned over 12½ millions; and in the 10 years 1885-94, of nearly 28½ millions of net profits the bank was allowed to retain only about 7½ millions. The most recent years show similar figures. For the 5 years during which the note monopoly has been enjoyed by the Riksbank, while just over 8 millions have been added to the resources of the Bank, the National Debt Office has, in those years, received 29½ million kronor of bank-profits. Now that an adequate capital and reserve has been accumulated, the payment of a large share of the ample profits to the State is not open to the criticism naturally directed against that course when the bank was building up its resources out of the yearly gains. In 75 years, the National Debt Office has received, of the profits of the bank, a sum of over 30 million dollars (U.S. currency). Allowing for the value of the premises and bank furniture, not assigned any money representation in the bank's balance-sheet, it may be said that approximately 55 per cent of the net profits have been paid over to the State.

Rules limiting the proportion between cash holdings and circulating notes were framed in 1830, requiring the provision of a cash fund not less than five-eighths of the circulating notes. In 1834 this was modified to a two-fifths proportion, but even this could not be maintained, and in 1843 the cash fell to only one-third. Under the influence of the English Bank Act of 1844, new regulations were substituted for the old in 1845. On condition of holding at least 10 million dalers, currency in cash, a fiduciary issue of 30 millions was permitted, a regulation much more easily observed. The regulations of 1830 had fixed the minimum cash holding at 8 million dalers currency (2 millions silver), so that the requirement of 10 millions was a raising of the limit. Moreover, in lowering the proportion of the cash at its minimum to the circulation, there were included in the latter, not merely notes, but also the amount due on deposit, in which no interest was at that time paid. The balance of credits granted, but not drawn out, being a demand obligation, was also included. Thus the change was not calculated to induce so weak a position as appears at first sight. Notes in excess of the fiduciary 30 millions, and the 10 millions against coin and bullion held in Sweden, might be covered by metal en route from abroad, by funds of the bank on deposit in Hamburg or Altona, and by bills on Hamburg or Altona at not exceeding 67 days currency. Later the currency of bills available as cover was extended to 90 days, and Berlin and London included as places at which they might be payable, while in 1866 foreign bills generally were admitted. This provision of bills of exchange as cover for circulation was used in 1857 as a means of evading the strict intentions of the law. Though there was no run on the bank, its cash decreased very rapidly between the end of 1855 and the middle of 1857, owing to remittances abroad. It had stood at about 19 millions in 1850-52 and from that had increased to 52 millions at the end of 1855. By the middle of 1857 it had fallen to 25 millions, and, though the rapidity of the fall was checked in 1858, fell further to 16½ millions at the end of 1859. The funds of the bank being, to a large extent, tied up in long period loans, the reserve could not be replenished, or the proportion of cash assets to obligations increased, by the process of calling in these loans. Commercial loans had to be restricted if the limit of issue was not to be exceeded, and the strain of the restriction was severely felt, An association was formed among certain members of the Exchange for mutual assistance, and they drew bills on a Swedish merchant residing in Hamburg and presented these bills for discount to the Riksbank. As the process of advancing notes against these bills did not touch the fiduciary issue, the bills themselves being legal cover for the notes, funds were thus provided to meet the need, and a State loan of 12 million dalers being raised abroad at this time, the difficulties of the situation were met, bankruptcy averted, and the losses of the bank due to the crisis kept down to a modest amount.

The difficulties arising out of the fact that the Bank was controlled by the legislative authority, without the right of supervision on the part of the executive, had formed, naturally, the subject of numerous discussions. The old plan, of bringing in the interest of private shareholders to exercise more effective control, was discussed anew. The constitution imposed an obstacle in the way, which was ingeniously avoided in the proposal of an important Committee, whose report was made in 1860, to divide the bank into two parts, following the general lines of the division of the Bank of England in 1844. The Issue Department, retaining the name of the Bank of the Estates of the Realm, would fulfil the terms of the constitution in remaining under the control and guardianship of the Parliament solely. The banking business proper was to be assigned to an institution in which it would be possible, if desired, to join private capital with that of the State.

This proposal, however, was not accepted and realised, though the discussion of the situation had its influence on the legislation of 1864 for Enskilda Banks. In 1872 the use of bills on foreign places as cover for demand obligations was discontinued, and the balances of credits granted but not fully used were excluded from the sum against which cash cover was needed, though current account balances remained a part of that sum. The cover available from that time was, in addition to the actual metal in hand, precious metals held abroad, or in transit, for account of the bank, and balances due from bankers and mercantile houses abroad. The value of silver coin, after 1873, was required to be taken only at 90 per cent of its face value, and of silver metal at rates to be determined by the managers of the bank, and, naturally, related to the current market value of silver.

The strict provisions of the law were overstepped, in regard to the minimum metal reserve, in 1869 and in 1870. In the former year it fell below the 10 millions in 26 weeks, and was at one time just under 8½ millions. In 1870 there were two weeks when the metal reserve was under the 10 million legal minimum. The note-issue exceeded the legal maximum on one occasion, namely on the weekly account of 30 September 1873, but was already 3½ millions under the legal maximum in the following week.

As means of defending the reserve, the bank's managers were instructed to undertake the following lines of business:- dealing in gold and silver, and in foreign bills of exchange, and the purchase and sale of bonds and the debt-obligations of Governments. The right of raising loans abroad was also an important element in this connection, a right which had been included in the regulations of 1845, to the amount of 12,000,000 dalers. For such a loan, the guarantee of the State followed on the approval of the Executive Government, without further formal approval of the Parliament. In the preceding, the effect of a loan in 1857-8 has been noticed.

From 1st January 1880 the minimum metallic cash holding was raised from 10 to 15 millions, and the maximum fiduciary issue to 35 millions, while the limit of the foreign credit just referred to was raised from 12 to 17 millions. The abolition of the 5 kronor note of the Enskilda Banks was closely connected with these measures for facilitating an enlarged circulation. It should also be stated here that the old notes of 1 krona had no longer been issued after the end of 1875, and the old fractional notes were gradually being withdrawn as they were presented for redemption. Till 1849 notes below the value of 1 krona, even as small as a quarter of a krona (6.7 cents) were issued.

In 1887 a further modification in the regulations was made, in that the balances abroad available as cover for notes were now required to be current account balances, while interest-free deposits, and the bank post bills outstanding of which an account has been given above, were now excluded from the total determining the legal amount of cover to be held. Thus the regulations were made somewhat more stringent.

The fiduciary issue was also increased, subject to an increase of the metallic reserve. This reserve, four-fifths of which was required to be gold, in coin or ~~bars~~ bullion, was in no case to fall short of 15 millions, as before, but, should it exceed this amount, an increase of the fiduciary issue was permitted, not exceeding in all 10 millions, making the maximum 45 millions. The condition on which any part of this additional 10 millions of fiduciary issue might be allowed was, that the metallic reserve should exceed 15 millions by 30 per cent of the amount by which the fiduciary issue exceeded 35 millions. Thus, with a cash holding of 15 millions, consisting of at least 12 millions gold and the remainder of legal silver coin taken, so far as that struck after 1873 was concerned, at 90 per cent of its face value, the issue might amount to 50 millions plus the amount of the foreign current account balances: with a cash holding of 18 millions (not less than 14.4 millions gold) the total issue might amount to 63 millions plus the amount of the foreign credit balances. For greater issues, the excess was required to be completely covered by the metallic reserve in excess of 18 millions. The actual rights of issue were by no means fully used. In 1878 and 1879 the total outstanding notes fell even below the permitted fiduciary issue, partly owing to the withdrawal of the old small notes. With the cessation of the 5 kronor notes of the private banks from the beginning of 1880, the outstanding circulation of the Riksbank increased, but even in 1890 the lowest of the monthly figures (end of April and July) were a little less than 40 millions. From 1892 onwards the circulation increased rapidly, and in 1899 the maximum and minimum were 56.4 millions (February) and 75.2 millions (December) respectively. In these seven years the average circulation of the Riksbank increased by 50 per cent, and the total note circulation of all the banks by 40 per cent.

After various efforts to arrive at a satisfactory solution of the problem of centralising the business of note-issue, as already related a law was passed in 1897 by which the matter was arranged. The fact that the new constitution thus given to the Riksbank was effected, not by the use of the royal prerogative but by an act of the regular legislative authorities, the Parliament and the King in association with one another, is itself a notable point. Previously the legislation had taken the form of royal decrees, which were not always in close agreement with the legislative proposals framed by the Parliament. The new constitution rests on an Act of Parliament duly assented to by the Crown, and thus, though the control of, and responsibility for, the Riksbank was still assigned to the Parliament, modifications of its constitution must be effected by combined action of King and Parliament, since they involve changes of a law resting on their combined authority.

The notes of the Riksbank retain the character assured them by the constitution, of legal tender, and the Bank is required to redeem them on demand in gold coin at its Head Office.

The capital of the Bank is fixed at 50 million kronor (13,400,000 dollars) exclusive, as had been the case previously, of bank premises and furniture.

The metallic reserve is defined as consisting of all the domestic and foreign gold coin and gold bullion, the property of the Bank within the country. Silver coin is thus excluded. The metallic reserve is to be not less than 25 million kronor at all times.

The note-issue remains partly fiduciary, partly covered by cash. As <u>cash</u> may be reckoned the metallic reserve as above defined; gold coin or bullion deposited abroad or in transit therefrom and covered by insurance; and the current account credit balances of the bank with banks and mercantile houses abroad. The fiduciary issue must be covered by easily realisable foreign Government bonds; bonds of the Swedish Government, of the General Mortgage Bank, and of other Swedish enterprises which are quoted on foreign Stock Exchanges; and bills of exchange, domestic or foreign.

The maximum of the fiduciary issue was fixed in 1897 at 100 million kronor, but any excess of the fiduciary issue over 60 millions was made conditional on a metallic reserve exceeding the minimum of 25 millions by 30 per cent of the amount by which the fiduciary issue should exceed 60 millions. Thus the full 100 millions of fiduciary issue ~~can~~ could only be reached when the metallic reserve was at least 37 million kronor.

By a modification of the law, passed on 3rd May 1901, these limitations of the note-issuing rights underwent important modifications and extensions.

On the one hand, the cash covering, so far as it consists of foreign credits, is now defined as the amount of such credits after deduction of corresponding debit amounts, <u>net</u> instead of <u>gross</u> credit balances. Further, the words "mercantile houses" are replaced by "banking houses". The minimum metallic reserve is raised to 40 million kronor, and the fiduciary issue (which, under the 1897 law, with this metallic reserve, would reach, but not exceed 100 million kronor) may exceed its assigned amount of 100 million kronor by the amount by which the metallic reserve exceeds its minimum of 40 millions.

With greater stringency in certain respects, the expansion of the fiduciary issue to any required extent is thus provided for.

With these extensions of note-issues, the capital of the bank was raised a year later by setting aside a sum of 12,500,000 kronor as a special fund for the class of loans repayable by instalments at fixed periods. The amount devoted to this purpose had previously formed part of the ordinary funds of the bank, from which it has now been separated. The fact that these loans cannot be called in to meet an emergency renders them unsuited as investments of the general funds of a central note-issuing bank, and this difficulty was avoided, in 1897 by limiting their aggregate amount, and from 1903 by separating the fund from which they were made* from the general funds of the bank.

It may be noted, before passing to the provisions of the law which restrict the operations of the bank, that, at the close of 1908, the outstanding notes were, in round figures, 201,500,000 kronor (53,750,000 dollars). The metallic reserve was 78 millions, and the net foreign balances 30 millions. It would appear, from the official figure of the total rights of issue, that the foreign balances available as cover for notes must have been 26½ millions only. Thus the legal fiduciary issue was 138 millions, and the issue covered by cash and net foreign credits on current account 104½ millions, a total of 242,500,000 kronor, leaving a balance of rights of issue available beyond those actually used of 41 millions. The outstanding notes exceeded by one-third those of the Riksbank and the Enskilda Banks together a decade previously. It might be supposed that this growth would be accounted for by the fact that, now that the rights of note-issue are no longer enjoyed by private banks, these latter find it necessary to hold, as reserve, a large amount of the notes of the Central Institution. The amount of the notes held by the several banks is not stated separately from the fractional currency and their credit balances (on so-called "giro" accounts) at the Riksbank. The total of these at the end of 1908 for the 17 surviving Enskilda Banks was 19.2 million kronor, or little more than 6 millions in excess of the corresponding total at the end of 1898. Thus but a small part of the increase of issues is capable of being accounted for by the substitution of notes for gold as reserves held by the Enskilda Banks. On the other hand, the gold held by the Enskilda Banks was steadily increasing during the nineties. At the end of 1898 it reached 9 million kronor, while at the end of 1908 it was less than the fiftieth part of that amount. The gold held by the Riksbank had, meanwhile, increased by over 43 million kronor, or nearly five times the amount by which that held by Enskilda Banks decreased. It thus appears that the equivalent of something like two-thirds of the increase of total notes outstanding in the ten years ending with 1908, has been, as a result of the centralisation of the note-issue in the middle of that period, added to the gold reserves of the country, while those reserves are now wholly centralised under the control of the Riksbank. From the point of view of those who believe that a stronger gold backing for the circulating medium was desirable, and indeed necessary for safety, the result must be regarded as eminently satisfactory. It is impossible to believe that, had the note-issue remained in the hands of the Enskilda Banks, the addition to the gold reserves would have been as substantial. As an example of the trend of events we may take the figures for the end of 1892 and compare them with those already used for the end of 1898. In that interval the aggregate note-issue increased from 101.9 million kronor to 150.1 millions. The total gold held increased from 24 millions to 40.2 millions. Thus but a trifle over one-third of the increased note-issue is represented in the increase of gold holdings. The outstanding notes of the Riksbank amounted to 44 millions at the end of 1892, and to 70.8 millions at the end of 1898. Its gold reserve at the same dates was 16.8 millions and 31.2 millions respectively. Thus somewhat over one-half of the increase in its notes outstanding was devoted to strengthening the reserve. The Enskilda Banks had increased their outstanding notes from 57.9 millions to 79.3 millions, and their gold reserves from 7.2 millions to 9 millions.[1] Of the 21.4 millions increase in notes, only 1.8 millions were devoted to increasing the gold

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[1] The highest figure ever reached for Enskilda Bank notes outstanding was 83.6 millions at the end of March 1901. Their gold holdings at that date amounted to 9.5 millions.

reserve, the proportion of which to the notes outstanding was, in fact, decreased in the interval considered.

It appears, therefore, that both in the years more immediately preceding the final arrangement of the centralisation of the note-issues, and subsequently, the policy of the Riksbank has been directed towards the strengthening of the metallic reserves on which the preservation of the soundness of the credit of the country rests in substantial degree. It is also clear that the monopoly of note issue has conferred on the Central Institution greater power to attain this important end.

Of the principal other features of the revision of the law under which the Riksbank operates, three claim more particular notice: (a) The safeguards provided against the decrease of banking facilities as a consequence of the cessation of the note-issuing privileges of Enskilda Banks: (b) The limitations imposed on the kinds of business which the Riksbank may undertake: (c) Changes in the bank's constitution.

(a) In reference to the first, two lines of action were laid down. On the one hand, the number of branches of the Riksbank was required to be so increased that there might be one in each of the 24 districts into which Sweden is divided for local government purposes, excepting that immediately adjacent to Stockholm, for which the Head Office in the Metropolis may suffice. The last of these was opened in the course of the year 1903.

On the other hand, as a partial compensation for the loss of note-issuing privileges, the Enskilda Banks were assured important financial support from the Riksbank on condition that they maintained all the offices which were in operation at the opening of the year 1896. Those banks which abandoned their own issuing privileges in the five years' interval preceding their legal cessation on December 31st 1903 (as has been seen all of them actually did so), were entitled, subject to the condition mentioned, to the grant of an open credit, against approved security, at 2 per cent under the current 3 months' discount rate, (provided that the charge should not fall below 2 per cent) and without the usual additional charge proportionate to the maximum limit of such credit. This limit in each case was to be one-half.the amount of the outstanding notes of the bank in question on 1st January 1896. In addition, such banks were to be entitled to rediscount approved bills of exchange at the Riksbank at a rate not exceeding two-thirds of the rate charged for the same accommodation to others. The limit of these rediscounts was also to be one-half the outstanding notes on 1st January 1896.

From 1st January 1904 till the end of 1908 these privileges were to be modified, and all the Enskilda Banks were to be entitled to rediscounting privileges on the above-named terms up to an amount equal to 40 per cent of their notes outstanding on 1st January 1896. This advantage was subject to the condition that none of the offices, of any bank thus privileged, which were open on 1st January 1896, should be closed while the privilege continued. Should any office be closed, however, the Crown was to determine, in what degree, if at all, the privilege in question should be continued, the importance of the office or offices thus closed forming the basis of such a decision.

The provision made for the period of transition to the monopolised note-issue was subsequently modified by a law of 3rd May 1901, which substituted the following for what has just been set forth.

The time for abandoning its note-issues having been settled by arrangement between an Enskilda Bank and the Riksbank, and on condition that none of the offices open on January 1st 1896 should be closed during the term covered by the arrangement, unless with the permission of the Crown on the recommendation of the Managers of the Riksbank, the Enskilda Bank might be granted, against approved collateral, loans not exceeding 65 per cent of its notes outstanding on 1st January 1901, and an open credit not exceeding 10 per cent of the same amount. The interest charge on these loans and advances to be 2 per cent below the 3 months' discount rate of the Riksbank, though not in any case lower than 2 per cent, and the usual extra charge for the open credit being remitted. Further, rediscounts up to 25 per cent of the notes outstanding on 1st January 1901 might be granted at a rate not exceeding two-thirds of that otherwise charged by the Riksbank.

At the end of each year, beginning with 1903, the amount of the maximum limit of each of these special privileges is decreased by one-eighth of its original amount, so that they lapse entirely at the end of 1910.

For banks which had already given up their note-issues before 1st January 1901 (there was one such bank) the outstanding circulation of 1st January 1896 was taken as the measure of the advances at special rates in place of the circulation of 1st January 1901.

The change effected by the law of 1901 was one distinctly advantageous to the Enskilda Banks. It gave them direct loans in place of open credits, thus making them more effective agents in putting notes of the Central Institution into circulation under conditions under which they had previously issued their own. It left a sufficient open credit to serve as the basis of drafts on the Riksbank in the form of bank post bills; and gave substantial rediscounting privileges at special rates, the latter, like the direct loans, putting notes of the Riksbank into the hands of the Enskilda Banks. Further, the substitution of the 1st January 1901 for the 1st January 1896 as the date, the outstanding circulation at which served as the measure of the advances at special rates, practically increased the maximum of the special advances, up to the end of 1903, by about

40 per cent. The substitution of a period of seven years, beginning with 1904, in which the special advances gradually decreased from being about 3½ times as great as under the arrangement of 1897 to final disappearance, for a five-year term during which the maximum of the special advances remained fixed, was also a great addition to the concession made to the private banks, nearly ~~dou~~trebling the value of the concession after 1st January 1904.

As has been seen, the value of the concession was deemed by the Enskilda Banks adequate to justify the resignation of their rights earlier than the date fixed in the law for their definite cessation. Banks which became entitled to the privileges above-named did not lose them if, in place of remaining subject to the law of unlimited liability, they became ordinary joint stock banks, or were merged in such banks. About 28 per cent of the loans and advances under the arrangement were, at the end of 1908, made to such joint stock banks, five of which were benefiting by the special terms, as representatives of the ten Enskilda Banks, which have ceased to exist as Enskilda Banks.

(b) The grant of the monopoly of note-issue to the Riksbank was accompanied by a stricter regulation of the nature of the business conducted by the Central Institution. The purpose directly in view was, doubtless, the more effective guarantee of the solidity and realisability of the assets of the note-issuing authority. Incidentally, however, it resigned to other institutions certain classes of business, and though the former note—issuing banks have necessarily to compete for this business with other Joint Stock Banks, the competition of the privileged central institution is removed.

The business assigned to the Riksbank falls under the following heads:

(1) Purchase and sale of gold and silver.

(2) Purchase and sale of bills of exchange, drawn on foreign firms or persons, and with a currency of not exceeding six months, such bills being payable either abroad or in Sweden. Other foreign short term paper of not exceeding six months' currency, may also be acquired and afterwards disposed of.

(3) (a) Purchase and sale of Swedish bonds, and of such obligations of foreign governments as are quoted on foreign Stock Exchanges and are readily realisable.

(b) Taking over by arrangements other than those for purchase, of Swedish Government bonds and readily realisable obligations of foreign governments.

(c) Acting as agents in effecting the purchase and sale of Swedish Government bonds and the bonds of the General Mortgage Bank.

(4) (a) Discounting accepted inland bills of exchange payable within six months.

(b) Loans against Stock Exchange collateral repayable within six months (fixed term) or on not exceeding three months' notice. In the case of communal authorities and other corporations of similar status, the note of the borrowing corporation may be accepted as sufficient security without other collateral.

(c) Loans against merchandise in a public warehouse or deposited in charge of an independent trustworthy person who has bound himself to hold them at the disposition of the Riksbank, such loans to be for fixed terms not exceeding six months.

(d) Grant of credit on current account for terms not exceeding twelve months, against collateral consisting of bonds, shares, or a lien on real estate, and also against personal guarantees. The maximum amount of the funds of the bank which may at any time be advanced in this way shall not exceed 15 million kronor (4,000,000 dollars, 30 per cent of the bank's capital,) not including in this sum the credit to be opened for the

National Debt Office, the amount of which is fixed not to exceed 1,500,000 kronor.

(e) On similar security to that named in the preceding paragraph (d) there may be granted loans repayable by instalments at fixed intervals. The aggregate amount of such loans was fixed in the law of 1897 not to exceed one quarter of the bank's capital. Five years later, a law of 14th May 1902 set aside the sum of 12,500,000 kronor for such loans as already stated, the capital remaining unchanged and the fund in question being provided from the accumulated surplus.

(5) Deposits for fixed terms or repayable on demand to be received without charge and subject to no interest payment.

Current accounts ("giro" accounts) to be kept free of interest or charge, and the bank to make the necessary arrangements in connection therewith for effecting the business of the clearing house.

Firms, other than banking firms, which have a discount account at the Riksbank, may receive interest on current account balances.

The bank is required to receive the Public Revenue and to make payments on account of the State without charge.

The bank is required to accept at any of its offices deposits of money and to issue sight drafts on the Head Office in Stockholm for the amount thus deposited without deduction or fee.

Arrangements for the receipt of sealed deposits are also to be made at the Head Office, and at branches as may be determined in the regulations made from time to time.

Foreign loans may be raised, and accounts opened with reliable foreign banking and mercantile houses with or without interest.

Beyond the business included under the above heads, and the manufacture of paper and conduct of the necessary printing, the Riksbank is prohibited from carrying on any other class of business whatever. It may not own real estate beyond that needed for its offices, paper manufactory and printing works. To protect the bank from loss, it may buy in real estate on which it has a lien when such property is sold by auction, but it must be sold again on the occurrence of a suitable opportunity, and in any case when the sale can be made without loss.

It will be observed that the Riksbank, in being excluded from paying interest on deposit accounts, leaves an important line of business to other banks. It is also not under the same pressure to find investments for its funds when the attraction of interest is lacking to draw to it a large deposit fund. As a matter of fact, as already noted, this item has practically disappeared from the balance sheet since 1897. Current accounts with interest on the balance to credit of the client, though allowed with certain reserves (see above) have, in fact, not been developed. At the end of 1908, the resources of the Riksbank included capital and reserves and outstanding notes amounting to three-fourths of the whole. Of the remainder, nearly one-third was due to the business conducted by the bank for the National Debt Office and to the balance of profits held for account of the State.

The element corresponding to the deposit and current accounts of American banks amounted to some 14 million dollars out of a balance sheet total of 96½ millions. This item is, doubtless, largely affected by the balances necessary for the conduct of the clearing. It represents, at any rate, actively operated accounts, as the average turn-over on these accounts per week in 1908 nearly amounted to the average balance to credit. The Riksbank has, to a very large extent, ceased to derive its resources from those relations with the public on which other banks are dependent. Its note issues are the overwhelmingly most important debt to the public. At the date named, the seventeen remaining Enskilda Banks had fixed deposits totalling nearly 122 million dollars, and the 28 "limited" joint stock banks with a capital exceeding a million kronor (268,000 dollars) held fixed deposits to a total of 128 million dollars. Besides the fixed deposits, the other accounts ordinarily included in America under the terms "deposits and current account balances" amounted to 34 million dollars for the Enskilda Banks and 70 millions for the limited banks. In all, therefore, these other banks disposed of over 350 million dollars of funds placed in their hands by the public, their proprietors' funds amounting to about 142 million dollars, and the balance-sheet totals aggregating nearly 615 million dollars.

There has thus developed a situation in which the Riksbank and the other banks operate in fields almost wholly distinct so far as the sources of their available funds are concerned. In the matter of investments the dominant item in the accounts of the Riksbank is inland bills of exchange, amounting to 44 million dollars at the end of 1908. The other banks to which reference has been made had, at that time, rediscounted bills to nearly 37 million dollars, of which a substantial part at least may be assumed to have been negociated with the Riksbank. Bills of exchange formed over 46 per cent of the assets of the Riksbank, and a little over 23 per cent of those of the other banks. Loans on security of various kinds, on the other hand, form a relatively small part of the investments of the central institution, amounting to little over 10 million dollars at the end of 1908, or under 11 per cent of the assets, while such loans amounted to no less than 362 million dollars in the accounts of the other banks, or not far short of 60 per cent of their total assets. The proportion of loans on real estate to total loans on security was, at the date named, but little over one-sixth for the Riksbank and almost one-third for the other banks. Stock Exchange securities do not figure heavily as collateral in either case. As already stated, the cash item for the Riksbank is large, gold coin and bullion and other coin amounting to 23 per cent of the assets, while the other banks held only 13 million dollars, or a little over 2 per cent, almost exclusively in notes of the Riksbank and in balances with that institution. Other items should be included, such as checks and drafts payable at sight or within a short time, if the measure of the readily available assets were required, but what has been stated will suffice to show that the investments of the Riksbank differ from those of the other banks notably in those features which are related to the ability of the bank to meet demands promptly. In confining itself to such investments, the central institution goes far towards leaving the other banks in possession of the most profitable part of the field of operations, thus removing what might otherwise have been a reasonable cause of objection to the grant to the Riksbank of the monopoly of note-issues.

(c) One of the features in the position of the Riksbank which had been made the subject of repeated criticism and many proposals for alteration was the fact that the control of the bank rested with the Parliament alone, and that neither in the

Executive Government nor in any independent body was there any power to influence the discretionary authority of the Parliament. In truth, the difficulty presented by this peculiar feature of the constitution was perhaps rather apparent than real. Nevertheless the proposals of the most recent Committee of Inquiry, that of 1890, included the Association of Appointees of the Crown with those of the Parliament on the Managing Committee of the Bank, to the extent of one-third of the whole number. The actual change made fell considerably short of that proposed. The Managing Committee which formerly consisted of seven Parliamentary representatives, has, by the Act of 1897, been made to consist of a Crown-appointed Chairman and six representatives of the Parliament. To the extent indicated by this change, the Executive Government has been admitted to a share in the control over the bank. Substitutes are appointed to act in case of the absence, or incapacity from sickness or other cause, of any of the Managing Committee. The Committee of seven appoints three (from 1873 to 1898, two) of its number to act as Managing Directors of the bank, each having charge of certain departments of its operations. The jealousy of interference on the part of the Crown finds an expression in a Section of the 1897 Act relating to occasions when a representative of the Executive Government may be sent to confer with the Managing Committee of the bank. The Committee is forbidden to decide the question in hand so long as the Crown's Agent is present with them.

They are thus reserved opportunity for private discussion, and independent action.

The more detailed provisions of the regulations approved by the Parliament for the conduct of the affairs of the Bank need not be set forth here. They include, of course, the number and status of the bank's officers at each office, and the scales of salaries for each grade.

The law of 1897 provided for the publication, in addition to the detailed annual statement of the bank's affairs, and a monthly summary, of a weekly statement of the metallic reserve and of the gold held abroad or in transit and foreign credits, of the outstanding circulation of notes, and of the excess of legal rights of issue over the actual circulation.

SUGGESTIONS FOR DIGEST OF STATE BANKING LAWS.

1st. Terms of incorporation.
- (a) Minimum capital.
- (b) Maximum capital.
- (c) Surplus.
- (d) Dividends.

2nd. Liability of--
- (a) Stockholders.
  - Must names of stockholders be published?
  - May other corporations hold the stock?
  - Extent of reserve liability.
- (b) Directors.
  - In case of impaired capital.
  - In case of insolvency.
  - Must directors own shares, and how many?
  - May officers engage in other business?
  - Must liabilities of directors to bank be published?

3rd. Supervision.
- (a) Reports.
  - How often required?
  - What items included?
- (b) Examinations.
  - How often required?
  - By whom made?

4th. Reserve requirements.

5th. Discount and loan restrictions (to be stated separately where possible).
- (a) As to aggregate amount.
- (b) As to amount to individuals.
- (c) As to character.
  - Can loans be made on real estate?
  - Can loans be made to officers and directors of the bank?

6th. Investments. What restrictions as to investments in
- (a) Real estate?
- (b) Bonds?
- (c) Stocks?
  - Can a bank hold stock in other banks or other corporations?
  - Must such investments be published in detail?

II

7th. Branches. How far allowed?

8th. Any provisions as to joint occupation of the same building by different banking firms?

9th. Penalties for the infraction of laws above stated.

. . . .

These items should be given separately, so far as possible, for State Banks, Trust Companies, and Savings Banks.

REPORT.

SHARING OF PROFITS BY PUBLIC SERVICE COMPANIES IN EUROPE.

GREAT BRITIAN.

Gas companies, under the provisions of the so-called "sliding scale" divide with their consumers increases or decreases in profits. Under the sliding scale a standard price per thousand cubic feet is fixed, and also a standard rate of dividend. When the plan was first introduced the standard rate of dividend was usually fixed by Parliament at 10%, but more recently, when the issue of new capital has been authorized, the rate has been fixed at 7%. The standard price has usually been established after taking into consideration local conditions, and at present it would probably be between three shillings ($0.75) and five shillings ($1.25) per thousand feet in different localities. The sliding scale clauses provide that for every decrease or increase of the standard price of gas by one penny per thousand feet the maximum rate of dividend allowed shall increase or decrease by one-quarter of one per cent. For example, if with a standard price of four shillings ($1.00) and a standard rate of dividend of 10% the price falls to three shillings fourpence ($0.83) the dividend may be 12%, of if the price rises to four shillings eightpence ($1.16) the dividend must not exceed 8%.

It was found in practice that the sliding scale clauses were practically inoperative owing to the repeated issue of new capital at par to the shareholders, and Parliament then adopted the "auction clauses" which require the sale of new shares at auction, the premium received being carried to a premium capital account, on which no interest is to be paid. Since the adoption of this modification the sliding scale has worked satisfactorily.

Many gas plants are owned and operated by municipalities, and in England the profits made are applied to the reduction of general taxes, the gas consumer thus paying a special tax for the benefit of the public at large.

The statutes permitting Scotch municipalities to operate gas works provide that after allowance for interest and sinking fund requirements any further profits must be applied to the reduction of the price of gas, in this way relieving the consumer of any extra burden in the shape of profits on gas for the reduction of general taxes.

Tramway companies make no payments in money, but have the usual requirements as to paving and maintaining streets. A number of municipalities own but do not operate the tracks, and the rental of these are often placed at high figures. In London the County Council has bought certain tracks, and leased them to the North Metropolitan Tramway Company at a fixed rental of £45,000 ($225,000) annually, 6 1/2% on the cost of extensions made by the Council and four-fifths of the profits beyond 5% on the share capital.

In Dublin the Tramway Company has recently (June, 1897,) made a contract with the city, under which, in consideration of being allowed to introduce electric power, and the extension of the franchise for forty years, the company agrees to pay to the city £500 ($2,500) annually for every mite of street occupied, the mimimum payment to be £10,000 ($50,000) annually.

F R A N C E .

All agreements as to payments are inserted in the contracts made between the companies and the municipalities, and maintenance of streets and charges for service are fixed by the contracts.

PARIS: The gas company, under the terms of the contract of 1871, pays to the city a fixed sum of f.200,000 ($40,000) per year as rental for the ground occupied by the street mains. After the payment of all expenses, ordinary taxes, interest on loans and amounts necessary for the amortization of bonds and shares, the company takes of the net profits f.11,200,000 ($2,240,000), being 13 1/3% on the share capital. This capital is fixed by the contract at f.84,000,000 ($16,800,000), any new capital required being obtained by the issue of bonds. After deduction of the f.11,200,000 the balance remaining is divided equally between the company and the municipality. In the year 1896 the share of the city was f.8,800,000 ($1,760,000).

The price of gas is very high, 30 centimes per cubic meter ($1.68 per thousand feet), but reductions in price must be approved by the municipal council, and this, although desired by the company, has been repeatedly refused by the council.

The General Omnibus Company controls the omnibus traffic and most of the tramway lines in the city, and pays a license fee of f.2,000 ($400) on each omnibus, and f.1,500 ($300) on each tram car annually. Provision is also made for an equal division of any profit in excess of 8% on the shares between the city and the company, but this amount has been very small, amounting in all since the signing of the contract in 1860 to only f.380,000 ($76,000). The share capital is fixed by the contract at f.29,750,000 ($5,995,000), but there is now a bonded debt of about f.100,000,000 ($20,000,000). The heavy charges laid on the company for the maintanance of paving and amortization of shares and bonds, together with the requirement by the municipal council of the establishment and maintenance of many unprofitaboe lines, make the return to the shareholder about 6%.

HAVRE: The tramway company has recently concluded a new contract allowing the introduction of electric power, under which it is obliged to pay to the city 2 1/2% of the gross income, with a minimum payment of f.18,000 ($3,600). But it is also provided that until the receiprs of the road are in excess of f.60,000 per kilometer ($19,200) per mile) the minimum payment shall be f.10,000 ($2,000) until this latter rate of earnings is reached, when the minimum of f.18,000 comes into force.

ROUEN: The tramway company is to pay on all lines herrafter built, during the first five years of the contract, f.250 per kilometer ($80 per mile), for the next ten years f.300 kilometer ($96 per mile,), for the next ten years f.350

pdr kilometer ($112 per mile), for the next ten years f.400 per kilometer ($128 per mile), and for the last ten years of the concession f.500 per kilometer ($160 per mile). Provision is made that all lines existing at thetime of signing the contract shall, as now, pay f.300 per kilometer ($96 per mile) for a period of twenty years, after which time these lines pay at the same rate as those built under the provisions of the contract.

G E R M A N Y .

All contracts provide for maintenance of street, and in some also a fixed charge for rental of the street is included. All contracts, gas, electric and street railway, fix the charges to be made for service, and in the case of gas and electric light companies there is usually no requirement of a money payment.

BERLIN. The contracts between the city and the street railway companies have recently been revised, and the concessions extended, allowing the introduction of electric power. This new contract, which presupposes the consolidatinn of the two largest street railway companies, requires the payment of 8% on the gross earnings, and after allowing 12% on the capital now invested, and 6% on the new capital necessary for the electric installation, requires the surplus to be divided equally between the city and the company. The larger of these two companies, Die Grosse Berliner Pferde Eisenbahn

Actien Gesellschaft, is now paying 15% dividends.

The gas business is now divided between a municipal plant and the Imperial Continental Gas Association of London, which owns many works on the Continent. In Berlin this company pays a sum which is based on the payment of M.400,000 ($100,000), with a sale of about 23,000,000 cubic meters (805,000,000 cubic feet), and increases or decreases as the sales of gas to private consumers for light rise and fall from this figure. The price of gas sold to private consumers is 15.2 pfennig per cubic meter ($1.08 per thousand cubic feet) for light, and 10 pfenning per cubic meter ($0.71 per thousand cubic feet) for cooking and heating, when sold by separate meter. On this gas no payment is made to the city.

The electric light company pays under the terms of the concession a percentage of its gross income, and in any year when the profits exceed 6% on the capital stock a further payment is made of 25% of the excess beyond 6%.

AIX-LA-CHAPELLE. The gas company pays to the city 2 pfennig per cubic meter (14.2 cents per thousand cubic feet) on all gas sold to private consumers, but if gas is sold at a reduced price for heating and cooking, and measured by a separate meter, the amount paid is only one-half as much.

BREMEN. The tramway company pays to the city one-quarter of the profits in excess of 5% on the capital.

BRESLAU. The tramway company pays to the city one-third of the profits in excess of M.85,000 ($21,250).

COLOGNE. The tramway company pays to the city from 1889 to 1893 M.5,600 ($1,400) annually, from 1894 to 1902

M.11,200 ($2,800) annually, and from 1903 to 1816, besides this payment of M.11,200 ($2,800), 15% of the net profits so soon as these exceed 15% on the capital stock .

DANTZIG. The tramway company pays during the first fifteen years of the concession 2% of the gross income, during the next ten years 2 1/2%, and during the last ten years 3%.

DESSAU: Beginning ten years after the date of the contract the tramway company pays 20% of the excess of profits over 6% to the city. This tramway is operated by gas.

Dresden. The tramway is operated by electricity, which, b y the terms of the concession, must be taken from the municipal electric station, and the company is obliged to pay 15% depreciation on the electric machinert used to supply current, and must also pay 20% of the profits over and above a fixed percent to the city.

DUSSELDORF. The tramway company pays 3% of its gross income to the city, and also a charge per car, starting at M.500 ($125) and rising to M.2,000 ($500) in the last years of the concession.

ELBERFELD. The tramway company divides its net profits equally withthe city. The Barmen-Elberfeld line pays 2% on the gross receipts.

ERFURT. In addition to the payment of a gross sum of M.1,600 ($400), the company also pays during the first ten years 1 1/2% of the gross receipts, during the next ten years 3%, and during the last fifteen years 4 1/2%.

FRANKFORT A/M. The gas works of the Imperial Continental Gas Association of London makes a payment to the city on the quantity of gas sold to private consumers, varying on a sliding scale. At the present time this payment amounts to about 2 1/2 pfennig per cubic meter (17.7) cents per thousand cubic feet).

The electric light works are owned by the city, but their operation is leased. This rental is, for the first year 5% on the cost to the city of the plant, for the second year 7%, for the third year 9%, and for the fourth and succeeding years 10%. This rental must first be paid from the receipts, then the expenses of the lessee with 15% added to represent management charges are taken out, then 2% is carried to a reserve fund until this fund reaches 10%, and the balance is divided equally between the city and the lessee. Extensions are made by the city.

The tramway company pays 6% on the gross income to the city, and also before the declaration of a dividend the following amounts in cash:- For the first two years of the concession M. 30,000 ($7,500) annually, for the next three years M.40,000 ($10,000), for the next five years M. 50,000 ($12,500), ~~the next five years M. 50,000 (12,500)~~, for the next five years M.60,000 ($15,000), for the next five years M.70,000 ($17,500), and for the last five years M.80,000 ($20,000 annually.

After 10% is paid on the full shares and 5% on the Genussactien (Actions de jouissance) the city takes one-half of the excess. As soon as the profit is equal to 16% on the full shares and 13% on the Genussactien, that is, when 13% is paid on the full shares and 8% on the Genussactien, the city is to take two-thirds of the excess.

The phrase Gennussactien, or Actions de jouissance, is untranslatable into English as the thing itself does not exist. Under the operation of the scheme of amortization the shares are drawn and paid off at par. In their place is issued a Genussactie, or Genussachein, which represents the premium on the ordinary share; this form of certificate then continues to receive dividends so long as the company continues to pay in excess of 5% on its regular shares, the amount paid being the excess of the actual dividend paid on the full shares over 5%. Of course, when the concession has expired and all the shares have been amortized the remains no value in these Genussactien, since the plant becomes the property of the city free of cost.

<u>HALLE.</u> The tramway company pays 2% of the gross income to the city. Halle also has a municipally operated tramway.

Beginning five years from the date of the contract the city gets 25% of the excess profits above 6% on the shares until the company's profit amounts to 7%. When the dividends reach 7 1/4% to 8% the city gets 30% of the excess, from 8 1/4 to 9%, 35% of the excess, from 9 1/4% to 10%, 40% of the excess, and from 10 1/4% upwards, 50% of the excess.

HANOVER. The gas company pays to the city 2 1/2 pfennig per cubic meter (17.7 cents per thousand cubic feet) for all gas sold, excepting that to public lamps. When the gas sold, omitting that used for street lighting, reaches 12,000,000 cubic meters (420,000,000 cubic feet) annually, the payment becomes 3 pfennig per cubic meter (21.3 cents per thousand cubic feet).

The tramway company pays 1 1/2% on its gross receipts up to M.1,000,000 (250,000), 2% to M.1,250,000 ($312,500), 2 1/2% to M.1,500,000 ($375,000), 3% to M.2,000,000 ($500,000), 3 1/2% to M.3,000,000 ($750,000), and 4% when the receipts exceed M. 3,000,000.

KONIGSBERG. The tramway company pays to the city one-quarter of the profits in excess of 6% on the stock.

LEIPZIG: The electric light company pays to the city 40% of the net profit of the company above 6% on the shares. When the dividends reach 7% the city takes 50% of the excess, 8%, 60% of the excess, 9%, 66 2/3% of the excess.

The tramway company pays to the city 2% of its gross receipts during the first five years of the concession, and this rate increases by 1% each five years during its life.

MAGDENBURG. The two tramway companies each pay 3 1/2% of their gross income to the city.

MUNICH. The gas company paid during the first six years of the concession M.13,700 ($3,425) annually to the city, for the second six years M. 20,600 ($5,150), for the third six M. 27,400 ($6,850), for the fourth M. 34,300 ($8,575), for the fifth M. 41,100 ($10,275), and for the sixth M.48,000 ($12,000). This contract expires Oct. 31, 1899, and at that time the city will assume the operation of the works, having recently bought out the property of the company.

The tramway company pays to the city 2% of the gross receipts up to M.1,000,000 ($250,000), 2 1/2% on the next M. 500,000 ($125,000), and 3% on all receipts in excess of this. On excess earnings above 6% and up to 8% on the stock the city takes 25% of the excess. The tramway company pays to the city 2 1/2% of the gross receipts. In any event 1% is to be paid, but if there is not sufficient profit to allow a dividend of 4% on the stock the payment of the other 1 1/2% remains in abeyance, but is to be made up later so soon as the stock receives 4%. After 1902 the city is to receive 10% of the excess profit over 6% on the stock.

AUSTRIA HUNGARY.

VIENNA. The tramway company pays to the city fl.2,220 per kilometer ($1,400 per mile of track), and when the gross earnings exceed fl.3,500,000 ($1,400,000) it is to pay 3 1/2% on the excess above this amount.

The recent comcession for an experimental electric line also contains a provision for the payment of 50 kreutzers (20 cents) per year for each pole located in the streets.

BUDAPEST. The surface street railway in Budapest pays amounts to the city beginning in 1899 as follows:- If the gross income exceeds fl.2,000,000 ($800,000) the company shall pay 2% of the gross, and on each increase of fl.500,000 ($200,000) the rate shall increase and shall be on the surplus over fl.2,000,000 as follows:-- On the first fl.500,000 3%, the next, 4%, the next, 5%, the next 7%, the next 10%, the next 13%, and on excesses above fl.5,000,000 ($2,000,000) 16%.

After 1907 the preceeding seven years are taken, and after throwing out the best and the worst year, if the average profit exceeds 10% om the capital stock the city and company share in the excess. This is to be done each year thereafter.

The underground road pays for the first twenty years of the concession nothing, for the next ten years 1% of the gross earnings, increasing 1% each ten years during the life of the contract, which is ninety years.

ITALY.

MILAN. A new contract has recently been closed with the tramway company, which provides that the municipality shall lay and own the tracks and shall receive all the income. The city pays to the company 7 1/2 cents per car mile, and for all extra cars put on after 1901, 8 cents per car mile, for cars put on after 1906, 8 1/2 cents per car mile. For trailers the city pays 2 cents per car mile. The company makes a payment to the city for maintenance of track. At the end of the year the city deducts from the gross receipts the payments made to the company and the cost of maintenance, and divides the balance.

HOLLAND.

AMSTERDAM. The tramway company pays to the city 5% of the gross receipts, and the company is allowed a dividend of 8%. For every increase of dividend above 8%, 1/2% additional of the gross is to be added to the payment, of corresponding fractions for fractional increases. For each percent increase of dividend beyond 10%, 1/2% more of gross receipts is to be paid to the city.

The gas company is to pay as soon as two works are completed and in operation 4.03 cents (Dutch) per cubic meter (47 cents (American) per thousand cubic feet) on all gas sold in excess of 13,000,000 cubic meters (455,000,000 cubic feet) annually. When a third works is built and put in operation the payment is to be made only on the excess above 21,000,000 cubic meters (375,000,000 cubic feet).

Plan of C. A. Conant.

PROPOSED ANALYSIS OF FOREIGN BANKING SYSTEMS.

CHARACTER OF PRIVILEGE OR CHARTER:

Whether monopoly of issue or not.

Duration of privilege and opportunities for revision.

Brief statement of changes in charters in recent years.

ORGANIZATION AND GOVERNMENT:

Amount of capital.

Character of ownership, whether public or private.

Privileges of shareholders.

Method of appointing Governor and Deputy Governors.

Control of the Government over management.

CHARACTER OF NOTE ISSUES:

Security for note issues, whether metallic money, securities or commercial paper.

Character and limitations of metallic reserves.

Provisions for emergency issues.

Facilities and methods of redemption.

Denominations of notes.

Actual character of the circulation, -- whether gold, silver or notes.

CHARACTER OF BUSINESS DONE:

Whether by discounting commercial paper, by loans on securities, or by agricultural loans.

Length of maturity of commercial paper fixed by law.

Requirements in regard to such paper.

Actual maturities shown by statistics (usually less than legal maturities because of re-discounts).

RELATIONS TO THE INTERNATIONAL MONEY MARKET:

How the gold movement is controlled, -- by changing the discount rate or otherwise.

Method of fixing discount rate.

Number of changes in such rate.

Statistics of annual and average rates.

Other methods of influencing the market, as by "borrowing from the market" or selling securities.

RELATIONS TO OTHER BANKS:

Methods of re-discount, with conditions imposed.

Relative banking strength of note-issuing banks and stock banks.

Accommodations extended to trade in emergencies.

RELATIONS TO THE GOVERNMENT:

Whether or not the bank performs the government business;

Permanent or temporary credits to the Treasury.

Management of the public debt.

TAXES PAID:

Special taxes on circulation.

Division of profits.

Taxes on discounts above a fixed rate.

Recent changes in such laws.

SCOPE OF PROPOSED DATA:

The above facts should be given for the following institutions:

Bank of England.

Scotch Banks.

Bank of France.

Imperial Bank of Germany.

Austro-Hungarian Bank.

Bank of Russia.

Bank of Belgium.

Bank of the Netherlands.

Royal Bank of Sweden.

Swiss National Bank.

Banks of Italy.

Canadian Banking System.

Mexican Banking System.

It may not be necessary to give all the facts for all of these banks, but there is much interesting experience even with the smaller ones and including those of the Balkan States and other countries, to which occasional reference might be made.

Such a statement as recommended would be as brief and compact as possible without sacrificing accuracy, perhaps filling thirty or forty printed pages in public document form.

MONETARY MATERIALS

(Alex. Del Mar, New York)

I. FINANCIAL PANICS AND BANK FAILURES, from the 17th century to the present time; giving dates, details, alleged causes, and reputed losses.

II. THE FUTURE OF GOLD. The present and probable future production of Gold, and the Processes and Devices for winning it from the earth.

III. COIN AND PAPER CIRCULATION OF THE COMMERCIAL WORLD from 1829 to 1908 showing the gradual improvement and substitution of the latter for the former.

IV. MONEY CIRCULATION OF THE COMMERCIAL WORLD at intervals from the 16th century to the present time.

V. VELOCITY OF MONEY, PAST PRESENT AND FUTURE. Computations showing the comparative velocity of money, or the frequency with which money circulates in Great Britain, the United States of America and some other countries; also a comparison of the past and present and probable future velocity of money in those countries.

VI. THE FUTURE OF INTEREST. The Current Rate of Interest for Money in various countries and in the money markets of the commercial world, from the earliest times to the present: the constituents of any given rate of interest: review of its past current rate: its recent and present tendency: and its probable future course.

VII. CIRCULATION OF MONEY in each of the following countries, at short intervals from the 16th century to the present time, compiled from the estimates and observations of contemporaneous writers, historians and economists, and in recent periods from official reports: England and Wales, Great Britain, United Kingdom, France, Germany, Belgium, the Netherlands, Autro-Hungary, Italy, Spain, Portugal, Turkey, Scandinavia, India and the United States, the latter given annually from 1775 to the present year, and showing separately the coins, government notes, bank notes, total money, total population, and total money per capita year by year.

VIII. CAPITAL INCOME MONEY AND POPULATION. Essay showing the sum of National Wealth, total annual product, total population, and total money of the United Kingdom, at short intervals since 16__ and of the United States decennially since 1790; thus establishing the quantitative relations between capital, income, money, and population.

IX. THE PURCHASING POWER OF A GIVEN SUM OF CURRENT MONEY (of whatever materials it consisted) from the earliest times to the present.

NATIONAL MONETARY COMMISSION MONOGRAPHS**--"The Swiss Banking Law."

Washington, March --/.--Editors: The following matter furnished by the National Monetary Commission must be held until released, which probably will be for Morning Papers of ---------, March --.

Charles S. Diehl,
Assistant General Manager,
The Associated Press.

FOR MORNING PAPERS.

Note by the Monetary Commission:-The following story ~~is~~ is distinct from that of the same subject/to be released for afternoon papers of ~~yester~~ ~~yesterday~~ ---------, March --[yesterday], and is furnished so as not to duplicate the previous story. In the issue of ~~this matter~~ the advance notices of these monographs, the effort is to alternate the precedence between the morning and afternoon papers.

(Signed)-----------------------
Secretary.

A. B. S.:-This form would be changed next time, so that first article would be released for Morning Papers, and second for afternoon papers of the same day. Notice would then read:

FOR AFTERNOON PAPERS.

(and would read accordingly).

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Double Lead

Pertinent Extracts from the Letters from Officers of Banks

Accompanying formal Answers to the Inquiries.

5C

Memorandum In Re

RAILROAD BONDS AS SECURITIES FOR PUBLIC DEPOSITS.

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The railroad bonds at present accepted by the Secretary of the Treasury in this connection are those which form legal investments for Savings Banks in New York and Massachusetts, the laws of these states governing the investment of Savings Bank funds being considered the most stringent. Under this ruling, two hundred and twenty-five bonds forming legal investments in the State of New York are available, a total amount of $1,257,648,000; and $809,269,000, the total amount outstanding of two hundred and eleven bonds in which the Savings Banks of Massachusetts may invest.

In view of the fact that many National Banks are experiencing much difficulty in furnishing the required securities, it has been suggested that the situation would be somewhat relieved by including in the list of railroads accepted as security for public deposits those whose bonds are eligible for Savings Banks in Connecticut and New Jersey.

At the present time the number of railroad bonds legal for New Jersey banks is four hundred and forty-eight, aggregating $1,800,734,000, while the bonds in which Connecticut Savings Institutions may invest total three hundred and eighty-four, an aggregate of $1,654,334,000.

To recapitulate. The total amount of bonds which are legal investments in several states is as follows:

New York	$1,257,648,000.
Massachusetts	809,269,000.
Connecticut	1,654,334,000.
New Jersey	1,800,734,000.

Many of the bonds which form a legal investment for banks in New York and Massachusetts are eligible also in New Jersey and Connecticut. Eliminating those common to the four states, we find that should Connecticut and New Jersey securities be accepted, there will be a further contribution to the available supply of $589,268,000.

At first glance, the amount of over $2,000,000,000 at present acceptable, would seem to be ample to meet all requirements, but it should be remembered that the savings banks alone absorb more than $354,000,000 of these securities, while far larger amounts are taken up by National Banks, Insurance Companies, Trust Companies, and other fiduciary institutions, as well as by holders of trust funds and individual investors. With this tremendous draft upon the available bond market, it is not surprising that the floating supply is totally inadequate to meet the needs of the National Banks. Acceptance of the additional $589,000,000 rendered available by inclusion of Connecticut and New Jersey securities, would minimize the difficulty at present felt in providing suitable collateral, while still upholding sedulously most carefully the character of securities held for public deposits.

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Appended is a brief comparison of the legal requirements for Savings Banks in the States under discussion.

Brief Comparison of the Legal Requirements for

Savings Banks Investments in

New York, Massachusetts, Connecticut and New Jersey.

------:------

A short comparison of the requirements of the various states may be of interest. Briefly, New York, Connecticut and New Jersey insist that the "issuing corporation" shall have paid dividends of not less than four per cent. upon all outstanding capital stock for a period of five years. For Massachusetts the ten-year dividend record is in most cases of obligation. In nearly all instances the security must be a first mortgage bond or of an issue to retire the company's entire bonded debt. Connecticut, in common with Massachusetts, limits investment to the bonds of railroads located in certain states, and also shares with that state and New York the provision that capital stock must be at least one-third of funded debt. New York and Massachusetts allow a certain amount of leniency towards corporations of the home state, but Connecticut and New Jersey treat all companies alike.

Confidential

T. J. Russell.

Manager,
London & Westminster Bank.

This was the first purely London Joint Stock Bank and held first place for a long time until the policy of amalgamation and extension to the provinces was started by its competitors.

The big London Joint Stock Banks may be divided into three classes, of which the following are examples:-

(1) London & Westminster Bank, with 36 Branches, doing a purely London Business and having its branches within the London radius where the changes in trade conditions are mainly those occurring in the Metropolis.

(2) London & County Banking Co.Ltd. with 263 Branches in London or within a radius of 50 miles. Here the changes in trade conditions are influenced by wider causes than in case of No.1, but the banking accounts apart from those of London customers are, generally speaking, those of private individuals or retail stores.

(3) Parr's Banking Company, 169 Branches.
London City & Midland Bank, 336 "
Lloyds Bank, 527 Branches.

These Banks have connections in all parts of England and are therefore affected more directly than those in (1) or (2) by changes in the manufacturing, shipping, mining and agricultural districts.

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Case 19. A large proportion of the checks deposited by this firm are checks which they have cashed for customers. The proportion of checks in their deposits, therefore, is very high.

The following extract from a letter received from the firm, which is located in one of the cities of the first class, explains the conditions: "We cash a great many teachers' and other city employees' checks, a very small proportion of which applies to payments of accounts or for merchandise. We also cash a great many checks for our customers, as it frequently is much more convenient than going to a bank for their funds. Many lady customers who receive a monthly allowance for house expenses obtain their funds from us, applying whatever might be due us on their account. It is customary for a great many employees of manufacturing concerns, who are paid by check to cash same in our establishment. Again many cash customers will make a purchase of a few dollars and draw a check for a larger amount, when they desire some currency. As we have a great many cashiers all over the house, and each one receives checks, it is impossible when they come to the counting room for us to determine whether they have been applied in whole or part upon purchases.

"I presume that the above conditions prevail to a very much larger extent in our retail establishment than in a majority of other concerns.* You will readily see from the points enumerated that the amount of

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* This is undoubtedly the case.

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checks we receive and deposit bears no relation in any way to the volume of business done, as a very large amount of the checks would be considered as 'accommodation banking'.

"The proportion of currency in our bank deposits is very small, as our heavy pay rolls are paid from currency receipts, also all other necessary currency disbursements."