

NELSON ALDRICH

Monetary Commission

MISCELLANY

Map of the monetary situation of the United States
by Chas. M. David
I para III

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Situation of the United States

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The question for Congress to decide is whether it is worth while to provide, at inconsiderable cost, a simple and safe measure of relief which may save the country in times of peril from destructive losses.

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The bill does not impose impossible conditions upon the banks.

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If Congress should fail to take some action to provide against emergencies, such as that through which we have passed, it would assume a grave responsibility, one in which the Committee on Finance declines to share.

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Its enactment would furnish evidence that Congress is not unmindful of its serious responsibilities.

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The Constitution commits the whole question of currency issues to the control of Congress. The Congress is clearly answerable for any defects or omissions which it is in its power to remedy.

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DEBT AND ASSESSED VALUATION

-of the-

STATES, COUNTIES, CITIES AND TOWNS WITH A POPULATION OF OVER 20,000

-in the-

UNITED STATES.

In the following pages is presented:

- (1) A table showing the bonded debt of every state, the counties in each state, and also that of cities and towns which, according to latest estimates, show a population of over 20,000. Sinking funds have been eliminated, and the statistics given do not include floating debt. This record is followed by:
- (2) A recapitulation, which shows, in addition, the total assessed valuation of each state, county, city or town, and the proportion between this and the funded debt.

The total bonded debt and assessed valuation of states and municipalities herein contained is as follows:

	<u>Debt.</u>	<u>Valuation.</u>
States.....	\$ 205,678,475.	\$28,827,339,634.
Counties.....	149,612,043.	17,546,143,062.
Cities, etc....	1,410,530,700.	22,418,621,279.

Of the various states and municipalities, 516 have a percentage of bonded debt to assessed valuation of 3% or under, 628 are within 5%, and in 678 cases, the proportion does not exceed 7%, the limit allowed by the savings bank law of the State of New York. The total debt and valuation in each case is as follows:-

	<u>Debt.</u>	<u>Valuation.</u>
3% or under....	\$340,595,654	\$42,719,601,621.
5% " "	566,025,965	49,765,321,472.
7% " "	824,489,063	54,202,925,519.

It will thus be seen that in the majority of cases such percentage is of a decidedly conservative character, and well within the requirements of even the most stringent restrictions imposed by banking laws of the several states.

That the provisions of existing law which authorize banks in
reserve cities to deposit one-half of their lawful money reserve in
banks of the central reserve cities, as provided in section fifty-
one hundred and ninety-five of the Revised Statutes, are hereby
amended so as to authorize such banks in reserve cities at their
discretion to hold one-third of this amount in the securities enumer-
ated in section two of this Act.

The present National Bank Act is an evolution from nearly three quarters of a century of unsatisfactory bank conditions.

The best features of the evolution were adopted in our present National Bank Act from the most satisfactory results of the older systems after long years of experience. As a result the present law has required the best security obtainable, and that in ample volume to more than protect the peoples' bank notes.

As a result of that protection the Government has promptly on the failure of a National Bank, received the cash for every bank note issued by the failing institution that had not been redeemed; and further, in every case an important surplus to turn over to the suffering creditors of the broken bank.

If borrowers desire the use of the peoples' money that the Government is expected to protect, why not follow the long and satisfactory precedent of the past, and require whatever banks act in such borrowing to put up security that there is no question will prove as reliable as government bonds, and require it in more than ample volume.

What the people will insist on maintaining is what they now have, the best standard of the world, made intrinsically valuable by the labor of the miner, and will in the end look with little favor on opening the door to any principle that easily paves the way to the standard of the printing press; a money that costs little to produce and the more issued, the more wanted, and the less satisfying the need. We don't have to go far back to see the tendency of such legislation.

The greenback issues of the Government, the money of the printing press, was originally considered by many sanguine people as good or better than gold, and for a time it was so. A wealthy government, a legal tender, a million or more of soldiers in the field, and receiving their pay in such notes, it is said would see, if necessary, with their bayonets that they should be maintained in value, the equal of any money in the world. Yet many of those soldiers enlisted when the country was on a specie basis and afterwards accepted them at par, when they were worth less than forty cents on the dollar, measured by the standard of the world, in power to purchase anything the soldier desired to eat, drink or wear, the prime necessities of life.

The danger hinted at will not appear if the law insists on good security and in a dearth of Government bonds, no more natural security can be found for a temporary currency than clearing house certificates. They have proved their value and reliability in panic times. The Clearing House Associations are in close touch with the activities and necessities of the people, and if guarded by a government tax of two and a half per cent. per annum on the issue, and real values in special securities in ample volume, and forcing banks that do not meet their obligations into liquidation, the notes will accomplish their purpose, retire the circulation, or cause to retire from business such institutions as have reached a point where they are not valuable to the people.

A different course, simply issuing notes against general assets is likely to whet the appetite for more and re-introduce the principle of fiat money, that in the past was so demoralizing to business and prosperity.

A BILL

To authorize the issue of National Bank currency secured by Clearing House certificates of reserve cities and to force its prompt retirement.

I. Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, that any Clearing House Association organized under State or National laws for the settlement of money transactions by effecting clearances between banks and for doing other business for and between banks not inconsistent with the provisions of this act, having been in continuous and successful operation under its present or former organization more than five years, and the banks so united in such Clearing House Association having a combined capital, surplus and undivided earnings of more than \$5,000,000 effecting bank clearings of over \$150,000,000 per annum that are situated in cities that have been approved by the Comptroller of the Currency as reserve cities for National Banks. The certificates of such institutions shall be received at ninety cents on the dollar as security for National Bank notes to the extent of the capital stock of any National Bank presenting them to procure circulation, and this authorization to be in addition to the National Bank Circulation which has heretofore been authorized against deposits of United States government bonds.

II. That any Clearing House issuing such certificates shall require the note of the bank applying for the loan of such certificates and in addition thereto collateral security consisting of storage receipts for products of agriculture, of mines and manufactures, commercial assets, promissory notes, bills of exchange, convertible bonds and stock and other evidences of debt and no collateral to be accepted at more than eighty per cent. of the market value, and to be approved in writing unanimously by the loan committees of the Clearing House issuing them, and so witnessed by the written signature of each member of such committee, before the issue of such certificates, the said certificates to be the absolute obligations of the Clearing House issuing them and so enforceable by the government against the Clearing Houses issuing them.

III. Any Clearing House issuing certificates under this act is hereby authorized to assess losses, if any, against the borrowing banks pro rata on the capital, surplus and undivided earnings of such institutions in the proportion of such certificates received by the borrowing banks. The rate of interest charged not to be in excess of the legal rate authorized in the States where the issuing Clearing House is located, and a reasonable charge authorized to be made for its services and responsibility, and also the power to promptly close out any loan where the security has depreciated and not at once been made good by the borrowing bank on notice.

IV. At any time a Clearing House desires to take advantage of this act, it shall so declare by resolution reciting the special cause for so doing and certify the same to the Comptroller of the Currency and before the issue of any currency in such case the applying bank must first file its articles of association with the Comptroller of the Currency and have his approval therefor.

V. That the tax on such emergency circulation issued under this act shall be two and one half per cent. per annum, payable semi-annually, and any bank not paying its loan to the Clearing House from which the same is received in time to enable said Clearing House to retire its certificates by the deposit of gold coin in the United States Treasury within twelve months from the first issue to said bank, shall forfeit its charter and the Clearing House be required to at once apply for a receiver and cause said bank to go into liquidation and retire from business.

VI. That the currency issued under this law shall be uniform with the regular National Bank currency and that all laws applicable to the latter shall likewise apply to the former, and the Comptroller of the Currency is authorized to always have on hand in blank the volume of currency authorized by this act.

VII. That all laws that conflict with this act are hereby repealed.

VIII. That this act shall take effect immediately on its passage.

CONSIDERATIONS RESPECTING DOCUMENTARY REPRINTS ON MONEY AND BANKING BY THE MONETARY
COMMISSION.

The number of Congressional documents respecting money and banking is very great; their importance as affecting any historical view of the development of banking and currency legislation in the United States is admitted. They are used, however, with difficulty, being scattered, as they are, through the document sets of the various Congresses. Many of them are practically lost in a sheep-bound obscurity. Certain of this documentary material relating to money and banking has been reprinted. Among reprints to be noted are the following:

American State Papers. Finance. 5 vols. Folio. The documents embraced cover the period April 11, 1789-May 16, 1828.

Reports of the Secretary of the Treasury, 1801-1849. 7 vols. Washington, 1837-1851. This reprint contained Hamilton's reports on public credit, a national bank, manufactures, and the establishment of a mint.

M. St. Clair Clarke and D. A. Hall's "Legislative and documentary history of the Bank of the United States," Washington, 1832. The latest Congressional documents in this compilation are House and Senate reports made in 1830 on the Bank of the United States and the currency. The legislative and documentary material growing out of the later aspects of the bank war and the removal of the deposits, consequently, is not included.

Jonathan Elliot's "Funding system of the United States and Great Britain," Washington, 1845. This compilation includes extracts from various documents or documents printed complete, some 155 in number, regarding the funding system of the United States.

"Documentary history of the coinage act of Feb. 12, 1873," printed in the Report of the Director of the Mint, 1896, p. 461-573.

Possibilities regarding reprints at the present time include the following:

I. A selection of documents, to include such papers as Hamilton's reports; Gallatin's reports; *Dallas's reports;* Crawford on the currency, 1820; Ingham's report, 1830; Taney, on the removal of

the deposits, 1833; Taney on deposit banks, 1834; Woodbury, on public money, 1834; Senate and House reports respecting the Bank of the United States, the Independent Treasury, the National Bank Act, currency and the coinage.

The difficulty in making a compilation of this kind is, of course, to be sufficiently comprehensive and yet keep within limits. There is always the danger of sins of both commission and omission.

II. A series of volumes, as comprehensive as possible, issued under such heads as the following:

Goulet paper?

- Coinage.
- Currency.
- First and Second Banks of the United States.
- Independent Treasury.
- National banking system.
- State banking before the civil war.

III. A reprint of Clarke and Hall's "Legislative and documentary history of the Bank of the United States," supplemented by the material which came into existence after the publication of the original volume in 1832.

IV. A continuation of the Finance volumes of the American state papers. The compiling and publishing of this great work was a huge undertaking. The series as it now stands comprises 38 volumes, divided as follows:

- Foreign relations, 6 vols.
- Indian affairs, 2 vols.
- Finance, 5 vols.
- Commerce and navigation, 2 vols.
- Military affairs, 7 vols.
- Naval affairs, 4 vols.
- Post Office Department, 1 vol.
- Public lands, 8 vols.
- Claims, 1 vol.
- Miscellaneous, 2 vols.

Twenty-one volumes were prepared under act of March 2, 1831, and joint resolution of March 2^d 1833; 17 volumes under act of June 12, 1858. The last named act provided \$340,000 for the continuation of the work to March 4, 1859. The sum, apparently, was not sufficient, for the volumes in the various classes under which the papers were printed conclude with documents much earlier than this date, those in the Finance volumes coming down only to 1828.

There are said to be 2,464 documents in the entire collection. Of these, 924 are in the five volumes on Finance, each volume comprising about 1000 folio pages. Many of the financial documents, of course, have to do with revenues, taxation, etc., but they are likewise inclusive of those on banking and currency from 1789 to 1828. Documents are reprinted in extenso. A single document of 1824, giving correspondence relating to public deposits, occupies nearly 600 pages, or over half of one of these bulky folio volumes.

There are errors in this compilation, probably not many of a serious nature. There are also omissions, more especially as to the early Congresses. It might be a question whether, in bringing together documents on money and banking, those papers on these subjects should be extracted from the present compilation and placed in the new one, or whether the new undertaking should commence at the date at which the old one left off. The committee of historical experts which reported in 1909 on the documentary historical publications of the United States Government especially recommended the continuation of the American State Papers, and advised the inclusion of departmental correspondence, still remaining in manuscript, with special reference to the letters exchanged with the President, the heads of Departments, ^{Ballaton,} and the chairmen of the chief committees of Congress. Papers by Jackson, VanBuren, Polk, ^{Ballaton,} Corwin, Chase, and others, are in the Library of Congress, while the papers in the Treasury Department include a file of letters from the Secretary of the Treasury to the President.

These facts are set forth in the report of the committee on documentary historical publications which has been referred to. A copy of this report, with passages marked, is annexed to this memorandum.

In one place in the report (p. 11) the cost is given of certain of the Government's historical publications, among them the following:

Official Records of the War of the Rebellion	\$1, 881, 821
Official Records of the War, Naval,	205, 314
Messages and papers of the Presidents, 10 vols.	257, 899
Moore's Digest of International Law, 8 vols.	56, 181

An estimate of the cost of printing and binding a volume of 1000 pages of quarto size (the result would be a volume of about the size of a Commerce and Navigation Report) is furnished by the Public Printer as follows:

For 1000 copies	\$9,868.58
2000 "	10,751.72
3000 "	11,704.27

These figures, of course, do not include the cost of compiling. How many volumes would be necessary, I can not say.

Of the various suggestions in this memorandum, the one respecting a new edition of the "Legislative and documentary history of the Bank of the United States," including the material necessarily omitted in the original issue, appears to be quite feasible. The continuation, or revision and continuation of the American State Papers, so far as the subjects of money and banking are concerned, would be at a very great cost. It would likewise be a notable undertaking, and of very great service to students of those subjects with which the volumes would deal.

Respectfully submitted,

CHARACTER OF THE REFORM DEMANDED.

To secure a wise and comprehensive reform of our banking and monetary system, we require :

1. An efficient banking organization by which bank suspensions and financial crises with their evil results can be avoided.

2. Means to secure a concentration of cash reserves of the banks and their mobilization for use whenever and wherever needed in times of trouble. In times of stress, scattered reserves of banks have been found useless, either for defense or protection. The scramble of 25,000 banks in 1907, each to take care of its own interests and to increase its own cash reserves, contributed very largely to the panicky conditions which led to general disaster. Banks must be furnished with

effective means for replenishing their reserves and increasing their loaning power at times when the need for credit expansion is imperative.

3. The general coöperation of banks must be secured to protect their own or the public interests when these are menaced and when individual or local efforts are ineffectual to prevent the paralysis of business and domestic exchanges.

4. An organization must be provided that can deal effectively with conditions which imperil the credit and status of the United States as one of the great financial powers of the world. In times of threatened trouble or actual panic, the power to control the movements of gold and the course of foreign exchange through raising the rates of discount or otherwise is essential, both from a national and an international standpoint.

5. We must have an organization whose influence can be made effective by an advance in discount rates or otherwise in preventing an undue expansion or dangerous inflation of bank credits.

6. A currency should be provided that, in character and volume, in contraction as well as in expansion, will be responsive to normal or unusual demands. Seasonal or unusual demands for currency or credit for crop moving or other purposes have at times produced very unsatisfactory conditions in the money market owing to the inelastic and unscientific character of our monetary system.

7. A broad discount market must be created with recognized and legalized standards of commercial paper. Recent conditions also impose unnecessary burdens upon business and production, and hinder the natural development of certain sections of the country. These evil results are felt more keenly in new and undeveloped communities. The lack of such a discount market leads banks in all sections to send surplus money to New York to be loaned there on stock exchange securities.

N. W. a

H. W.

MONEY IN THE COUNTRY AND CURRENCY LEGISLATION.

The stock of money in the United States at the beginning of April was \$3,398,390,430, composed of \$1,642,565,614 gold coin and bullion in the Treasury, \$707,496,445 silver dollars and subsidiary silver, \$351,921,016 U.S. notes, and \$696,407,355 national bank notes. In proportions the composition of the stock is as follows: Gold 48.3%, silver 20.8%, U.S. notes 10.4% and national bank notes 20.5%. In other words, over 69% of the stock is in specie, which includes \$150,000,000 set apart by the Act of March 14, 1900, for the redemption of legal tender notes. Of the national bank notes \$628,834,336 are covered by bonds held by the Treasurer in trust and \$67,573,019 by a like amount of lawful money deposited with the Treasurer for their redemption.

In June last, the date of the latest investigation made by the Treasury Department relative to the location of the money stock, 35 1/2% was shown to be held by national, state and private banks; 11% in the Treasury as assets, leaving 53 1/2% not in the reporting banks and Treasury, but in general circulation or hoarded.

Other statistics compiled by the Mint Bureau show that the money stock of the United States is greater than that of any other country and also that it is greater per capita than that of any of the principal nations of the world, with the exception of France, where specie is used to an unusual extent in lieu of checks, drafts and other instruments of credit. It would thus appear that the volume of the circulating medium is ordinarily ample.

In time of financial distress, as in 1907, there is such a sequestration of currency that business of all kinds is greatly hampered and in many instances suspended, and it is claimed that if then the banks were able to supplement the normal stock by an emergency issue of circulating medium the stringency would be materially alleviated. That emergency issues would relieve the situation to a large extent is evidenced by the relief afforded by the issue of Clearing House loan certificates by the New York and other Clearing House Associations in the fall of 1907, the volume of these issues having been estimated at \$200,000,000. The situation was further relieved by the importation of about \$100,000,000 of gold and the action of the Secretary of the Treasury in increasing public deposits with depositary banks, between August and the end of the year, to the extent of over \$100,000,000. During this period national bank circulation was increased to the extent of some \$50,000,000. This evidences an addition to the available currency funds of over \$450,000,000.

While various propositions have been brought forward to meet emergencies but two, in principle, have had extensive support, one for the perpetuation of the bond-secured note system, and the other a radical departure from that system by authorizing the issue of notes based on general assets, a practical revival of the Suffolk plan.

For nearly half a century the country has had a bank circulation current at par throughout the length and breadth of the land, regardless of the standing of the issuing bank, the notes issued by every bank, whether in active operation or closed by voluntary liquidation or failure, being redeemed in lawful money on presentation at the Treasury of the United States.

The title of the law of 1864 reads "An act to provide a national currency secured by a pledge of United States bonds and to provide for the circulation and redemption thereof". This law enabled the Government to borrow money at the extremely low rate of 2%, and the market price of these bonds is constantly above par, a source of great satisfaction both to the administration of the Government and to the public in general.

The interest-bearing bonded debt of the Government is \$882,867,490, and as \$628,834,336 of the bonds are held in trust by the Treasurer to secure a like amount of circulation there might be a further enlargement of the note issues of \$254,033,150, or a total issue of \$882,867,490. This increase would represent nearly 50% of the extraordinary increase in available circulation during the closing months of 1907.

As a compromise and experimental plan, every national bank having an unimpaired capital and a 20% surplus, with U.S. bond-secured circulation to the extent of 50% of its capital, the management of the bank being known to be conservative, and successful, might be permitted, under conditions which, in the

judgment of a committee consisting of the Secretary of the Treasury, Comptroller of the Currency, and Treasurer of the U.S., warrant an increase in the circulating medium, to receive and issue circulation notes to the extent of 125% of its bond deposit, the amount issued in excess of par of the bond deposit to be subjected to a monthly tax of one-half percent, and the excess redeemed by deposit of lawful money, as now provided by law, within a definite period--three, six, or nine months--the period to be determined by the Comptroller with the approval of the Secretary of the Treasury. This tax should be in lieu of all other taxes on such issues and the proceeds of the tax set aside in the Treasury as a special fund for the redemption of the uncovered notes of banks which might fail. On the existing bond deposit, materially in excess of 50% of the capital of banks in the aggregate, about \$150,000,000 additional circulation might be issued. Assuming that this amount would be kept in circulation for only three months a redemption fund of \$2,250,000 would be created. Up to and including October 31, 1907, there had been placed in charge of receivers but 475 national banks, a yearly average of about 10, the average capital being \$160,000. The average capital of national banks in existence at present is approximately \$140,000, and assuming that 10 banks of that capital should fail, having an aggregate circulation of 125% on \$1,400,000 bonds or \$1,750,000 notes

outstanding (\$350,000 uncovered), the redemption fund would be more than ample to redeem every note, regardless of the bond deposit. Deducting the bond-secured notes, the redemption fund would be sufficient to redeem the \$350,000 uncovered notes six times over. The law confers authority upon the Comptroller to appoint a receiver for a national bank for failure to redeem its notes and assuming that holders of these uncovered notes were general and not preferred creditors and basing an estimate on the experience of the Department for over 40 years, a loss of less than 20%, or about \$70,000, would be sustained, that amount only being necessary to charge to the redemption fund. The foregoing would appear to prove that the issue of uncovered bank currency, in the manner and to the extent indicated, at least, might be permitted without question of redemption.

PROCEEDINGS OF THE NATIONAL MONETARY COMMISSION.

Hotel Plaza, New York City,

August 17, 1909.

A subcommittee of the National Monetary Commission, consisting of Senators Aldrich (Chairman), Burrows, and Daniel, Representatives Vreeland and Weeks, and Mr. Bonyng, were in session at The Hotel Plaza, New York City, in the morning and afternoon of Monday, August 16, and in the morning of Tuesday, August 17.

Professor A. P. Andrew submitted in proof form the following papers and documents, which have been under preparation since the last meeting of the Commission. These papers were examined and discussed by the subcommittee, and the Secretary was directed to furnish a set of these documents in proof to each member of the Commission, to be regarded as confidential until published in final form by the Commission.

The list is as follows:

PUBLICATIONS OF THE NATIONAL MONETARY COMMISSION.

I - MISCELLANEOUS

- Interviews on the Banking and Currency systems of England, France, Germany and Switzerland. (430 pages)
The Public Debts of Great Britain, Germany and France, by Francis W. Hirst. (Galley proof, 19 pages)
Articles: The Discount System in Europe, by Paul M. Warburg. (43 pages)
Bank Acceptances, by Lawrence Merton Jacobs. (18 pages)

II - UNITED STATES

- Statistics for the United States, 1867-1909. (250 pages)
 Digest of State Banking Laws, by S. A. Welldon. (Galley proof -- pages)
 Article: History of the National Bank Currency, by Alexander Dana Noyes. (Galley proof, 6 pages)

III - CANADA

- The History of Banking in Canada, by Roland Morton Breckenridge. (310 pages)

IV - ENGLAND

- The English Banking System, with a chapter on the London Stock Exchange, by Hartley Withers. (150 pages)
 Statistics for Great Britain, 1867-1908. Prepared by R. H. Inglis Palgrave, F.R.S., and "The Economist." (Galley proof, 67 pages)

V - FRANCE

- Evolution of Credit and Banks in France, from the founding of the Bank of France until the present time, by Andre Liesse. (271 pages)
 The Bank of France in its relations to National and International Credit, by Maurice Patron. (Galley proof, 54 pages)
 Statistics for France, furnished by the Credit Lyonnais. (Galley proof, 26 pages)
 The History and Methods of the Paris Bourse, by E. Vidal. (Galley proof, 65 pages)

VI - BELGIUM

- The National Bank of Belgium, by Charles A. Conant. (238 pages)

VII - GERMANY

- The Great German Banks and their Concentration in connection with the Economic Development of Germany, by Dr. J. Riesser. (Galley proof, 68 pages)
 The Reichsbank, 1876-1900. (Jubilaumsschrift) (355 pages)
 Statistics for Germany. (Galley proof, 56 pages)
 German Imperial Banking Laws, edited by Dr. R. Koch. (Galley proof, 72 pages)
 Miscellaneous Articles on German Banking. (Covering the organization of credit, directors' fees, the land mortgage associations, the savings banks, the co-operative societies, etc.) (Galley proof, 93 pages)

In Re: Renewal of Reichsbank Charter. (Including articles covering the renewal of the charter and discussions of this subject in bankers' conventions and elsewhere, with a draft of the bill). (Galley proof, 83 pages)
 The Bank Inquiry of 1908: Stenographic Reports. (About 900 pages)
 Selected Documents on Bourse Legislation. (Galley proof, 33 pages)

VIII - SWITZERLAND

The Swiss Banking Law, by Dr. Julius Landmann. (238 pages)

Development of the German Banking System, by Robert Franz. (Galley proof, 33 pages)

A set of 24 graphic charts, prepared under the direction of Professor A. P. Andrew.

After a full discussion of plans for the prosecution of the work by the Commission, the following action was taken:

A subcommittee, consisting of Mr. Vreeland (Chairman), Senators Burrows and Daniel, Representative Weeks and Mr. Bonyng, were appointed to visit Canada some time during the month of September to make a personal investigation of such features of the Canadian system as had not already been covered by the investigations of the Commission.

It was decided that a meeting of the full Commission should be held in Washington about the middle of October, the exact date to be fixed by the Chairman, and that at this meeting the subcommittee would recommend that the Commission should

hold meetings and conduct hearings in different sections of this country during the late fall and winter.

The following statement of the proceedings of the sessions of the subcommittee was prepared by the Chairman and given to the press:

A subcommittee of the National Monetary Commission have been in session at The Hotel Plaza for two days. The meeting was for the purpose of arranging for the work of the members of the Commission during the summer prior to the general meeting of the Commission, which will take place in Washington about the middle of October. A large number of papers and statistics, which have been prepared under the direction of Professor A. P. Andrew, were submitted to the Commission in proof. It is expected that the reports and statistics with reference to the monetary systems which are under investigation by the Commission will be completed and ready for publication at the October meeting.

A subcommittee was appointed to make a personal examination in Canada of such features of the Canadian system as have not already been covered by the investigations of the Commission. The subcommittee will consist of Mr. Vreeland (Chairman), Senators Burrows and Daniel, Representative Weeks and Mr. Bonyngé. The subcommittee will visit Canada some time during the month of september.

The Chairman of the Commission, who is to sail for Europe next week, will complete arrangements heretofore made with reference to the monetary system of Italy, and will arrange for additional information relating to European systems in cases where the statements already submitted to the Commission fail to cover all the information required.

It is the purpose of the Commission to visit different sections of this country during the late fall and winter to continue its investigations.

At 12 o'clock, noon, on Tuesday, August 17, 1909, the subcommittee adjourned.

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V - FRANCE

- Evolution of Credit and Banks in France, from the founding of the Bank of France until the present time, by Andre Liesse. (271 pages)
 The Bank of France in its relations to National and International Credit, by Maurice Patron. (Galley proof, 54 pages)
 Statistics for France, furnished by the Credit Lyonnais. (Galley proof, 26 pages)
 The History and Methods of the Paris Bourse, by E. Vidal. (Galley proof, 65 pages)

VI - BELGIUM

- The National Bank of Belgium, by Charles A. Conant. (238 pages)

VII - GERMANY

- The Great German Banks and their Concentration in connection with the Economic Development of Germany, by Dr. J. Riesser. (Galley proof, 68 pages)
 The Reichsbank, 1876-1900. (Jubilaumsschrift) (355 pages)
 Statistics for Germany. (Galley proof, 56 pages)
 German Imperial Banking Laws, edited by Dr. R. Koch. (Galley proof, 72 pages)
 Miscellaneous Articles on German Banking. (Covering the organization of credit, directors' fees, the land mortgage associations, the savings banks, the co-operative societies, etc.) (Galley proof, 93 pages)

In Re: Renewal of Reichsbank Charter. (Including articles covering the renewal of the charter and discussions of this subject in bankers' conventions and elsewhere, with a draft of the bill). (Galley proof, 83 pages)
 The Bank Inquiry of 1908: Stenographic Reports. (About 900 pages)
 Selected Documents on Bourse Legislation. (Galley proof, 33 pages)

VIII - SWITZERLAND

The Swiss Banking Law, by Dr. Julius Landmann. (238 pages)

Development of the German Banking System, by Robert Franz. (Galley proof, 33 pages)

A set of 24 graphic charts, prepared under the direction of Professor A. P. Andrew.

After a full discussion of plans for the prosecution of the work by the Commission, the following action was taken:

A subcommittee, consisting of Mr. Vreeland (Chairman), Senators Burrows and Daniel, Representative Weeks and Mr. Bonyne, were appointed to visit Canada some time during the month of September to make a personal investigation of such features of the Canadian system as had not already been covered by the investigations of the Commission.

It was decided that a meeting of the full Commission should be held in Washington about the middle of October, the exact date to be fixed by the Chairman, and that at this meeting the subcommittee would recommend that the Commission should

hold meetings and conduct hearings in different sections of this country during the late fall and winter.

The following statement of the proceedings of the sessions of the subcommittee was prepared by the Chairman and given to the press:

A subcommittee of the National Monetary Commission have been in session at The Hotel Plaza for two days. The meeting was for the purpose of arranging for the work of the members of the Commission during the summer prior to the general meeting of the Commission, which will take place in Washington about the middle of October. A large number of papers and statistics, which have been prepared under the direction of Professor A. P. Andrew, were submitted to the Commission in proof. It is expected that the reports and statistics with reference to the monetary systems which are under investigation by the Commission will be completed and ready for publication at the October meeting.

A subcommittee was appointed to make a personal examination in Canada of such features of the Canadian system as have not already been covered by the investigations of the Commission. The subcommittee will consist of Mr. Vreeland (Chairman), Senators Burrows and Daniel, Representative Weeks and Mr. Bonyng. The subcommittee will visit Canada some time during the month of September.

The Chairman of the Commission, who is to sail for Europe next week, will complete arrangements heretofore made with reference to the monetary system of Italy, and will arrange for additional information relating to European systems in cases where the statements already submitted to the Commission fail to cover all the information required.

It is the purpose of the Commission to visit different sections of this country during the late fall and winter to continue its investigations.

At 12 o'clock, noon, on Tuesday, August 17, 1909, the subcommittee adjourned.

Sec. 9. That a National Clearing House Association may be formed under this Act in any City in which is an Assistant Treasurer of the United States; that such Association may be formed upon petition to the Comptroller of the Currency of a majority in number (or amount of capital) of National Banks doing business in such City; that such Clearing House shall be known as "National Clearing House Association of _____;" shall be governed by Directors or Trustees, not less than five (5), to be elected by the Members of such Association, a majority of whom shall be elected by the full members of such Association, and such officers as the Directors or Trustees may select; that such Association shall have power to sue and be sued, to have a corporate seal, to transact the ordinary business of a Clearing House, to issue Clearing House certificates with which to adjust balances between, and which may circulate among its members, and which when issued to, may be used to secure the circulation of, its full members by depositing the same with the Treasurer of the United States, or the Assistant Treasurer of the United States in the City in which such Clearing House is located; Provided such Clearing House certificates shall be issued only against cash, or commercial paper actually deposited with such Association, and if against commercial paper at not to exceed seventy-five (75) per cent. of its face value; that any banking association organized under the laws of the United States or any State thereof, doing business in such City shall be eligible to membership therein; that members shall be of two classes ----full members and associate members; that full members shall be held to guarantee the payment of and be jointly liable on all such clearing house certificates issued by such associations as may be deposited by its members with the Treasurer, or any Assistant Treasurer of the United States to secure circulation, under the provisions of this Act; that asso-

ciate members shall not be so liable; that all members organized under the National Bank Act shall be held and are hereby declared to be full members, and that all other members are hereby declared to be associate members; that as amongst themselves full members shall be liable in the proportion the capital and surplus of each full member bears to the total capital and surplus of all full members; that such association may, subject to the approval of the Comptroller of the Currency, adopt rules for the government of the association, and the discipline of its members; that such association shall report to and be subject to examination by the Comptroller of the Currency at such times as the Comptroller of the Currency may prescribe; and that the Comptroller of the Currency shall have the same authority over and control of such association as he has over National Banks, organized under this Act.

Sec. 10. That Section 5242 of the Revised Statutes be amended so as to read as follows:

"No attachment, injunction or execution shall be issued against any National Bank or National Clearing House Association or its or their property before final judgment in any suit, action or proceeding in any Federal, State, County or Municipal Court."

Sec. 11. It is hereby declared to be unlawful for any Clearing House Association not organized under this Act to use the word "National", in its title, and any violation of this prohibition shall subject the party chargeable therewith to a penalty of fifty dollars (\$50.00) for each day during which it is committed or repeated; such penalty to be recovered by suit instituted by the Attorney General of the United States for that purpose.

Canada

Dominion Notes

1895 \$ 6.6.00
12.20

large notes for use in settling
balances between banks

p 98
B. & Walker

clearing houses purposes
amt outstanding

1895 22,893,000

1907

Banks must 40% of their reserves
in Dominion Notes

Govt holds 25% in specie
but guaranteed debentures

Oct 1 1895 Dominion Issued \$ 22,893,000

Mar 1895 Banks \$ 29,414

p 104 Walker

Mar 1895 Banks held specie 8 million
Dominion Notes 17 "

Dominion Deposits 9 1/2 "

Dep
Notes 177
23
210

Specie 11%
Specie notes 12%

Get later returns

Public Municipal + Railway
Bonds 18,736,600

Not at all applicable to U.S.

Scottish System total amt
\$1,000,000,000, uncovered ^{unit per capita}
outstanding

all other covered by special
reserves

See Banking in
\$2 1/2 per capita. all ages ^{Article}
G.P. Scotland

unlimited liability of
shareholders

size of country } Relative
Eulogies } increase
Scottish character } in health
resources of country } and business
in 50 years

~~Redeem~~ Dependent on
London

Send to London for specie
sector

See quotation about Convertible
Kerr's ^{securities}
Securities

Scott system unique indigenous
3 great failures one most
disasters of modern times

No system free ^{Great success}
owing to careful
Scottish character conservative
management

Canada

Not not tested

not suited to our wants

Canadian notes

fluctuate upward
all the time

<u>Cities</u>	<u>Capital</u>	<u>Surplus</u>	<u>Totals</u>
*- Boston	\$26,050,000	\$17,986,000	\$44,036,000
Albany	2,100,000	2,200,000	4,300,000
*- Philadelphia	22,305,000	32,135,000	54,440,000
Pittsburg	29,100,000	28,885,000	57,985,000
*- Baltimore	12,740,700	7,105,000	19,845,700
Washington	5,150,000	3,570,000	8,720,000
Savannah	750,000	350,000	1,100,000
*- New Orleans	6,025,000	3,060,000	9,085,000
Dallas	2,400,000	1,080,000	3,480,000
Fort Worth	1,925,000	1,400,000	3,325,000
Galveston	425,000	135,000	560,000
Houston	2,500,000	1,370,000	3,870,000
San Antonio	2,300,000	552,000	2,852,000
Waco	800,000	364,700	1,164,700
Louisville	4,948,000	2,247,167	7,192,167
*- Cincinnati	13,300,000	6,340,000	19,640,000
Cleveland	9,350,000	3,800,000	13,150,000
Columbus	3,550,000	1,137,000	4,687,000
Indianapolis	5,100,000	2,360,000	7,460,000
Detroit	4,750,000	1,470,000	6,220,000
Milwaukee	5,750,000	2,560,000	8,310,000
Minneapolis	5,700,000	4,352,083	10,052,083
St. Paul	4,100,000	2,265,000	6,365,000
Cedar Rapids	400,000	240,000	640,000
Des Moines	800,000	400,000	1,200,000
Dubuque	600,000	130,000	730,000
Kansas City, Mo.	3,300,000	2,950,000	6,250,000
St. Joseph,	900,000	410,000	1,310,000
Lincoln	650,000	240,000	890,000
Omaha	2,800,000	1,000,000	3,800,000
Kansas City, Kas.	1,000,000	625,000	1,625,000
Wichita	500,000	326,000	826,000
Denver	3,200,000	1,740,000	4,940,000
Pueblo	500,000	370,000	870,000
Seattle	1,750,000	1,200,000	2,950,000
Portland	1,250,000	1,450,000	2,700,000
Los Angeles	5,500,000	2,255,000	7,755,000
*- San Francisco	13,800,000	8,930,000	22,730,000
Salt Lake City	1,200,000	511,300	1,711,300
Brooklyn	1,602,000	2,350,000	3,952,000

Reserve Cities, .. \$210,867,700 \$151,851,250 \$362,718,950

*- New York	114,580,000	109,768,050	224,348,050
*- Chicago	27,650,000	17,057,000	44,707,000
*- St. Louis	19,100,000	11,431,158	30,531,158

\$161,330,000 \$138,256,208 \$299,586,208

Reserve Cities, \$210,867,700 \$151,851,250 \$362,718,950

Central Reserve, 161,330,000 138,256,208 299,586,208

Total, \$372,197,700 \$290,107,458 \$662,305,158

United States, \$896,451,314 \$458,303,602 \$1,354,754,916

* Sub-Treasury Cities:

Boston,	\$26,050,000	\$17,986,000	\$44,036,000
Philadelphia,	22,305,000	32,135,000	54,440,000
Baltimore,	12,740,700	7,105,000	19,845,700
New Orleans,	6,025,000	3,060,000	9,085,000
Cincinnati,	13,300,000	6,340,000	19,640,000
San Francisco,	13,800,000	8,930,000	22,730,000
New York,	114,580,000	109,768,050	224,348,050
Chicago,	27,650,000	17,057,000	44,707,000
St. Louis,	19,100,000	11,431,158	30,531,158

\$255,550,700 \$213,812,208 \$469,362,908

Stewart's amendment

The legal tender provision

27

Not free coinage but the
an offer purchase by the U.S. of the Silver
bullion of the world at 1298 per
ounce or 20% above market price.

to insure on a ratio which
effectually prevents

Iller

The greater use of silver in England
&c. &c.

The attitude of Cleveland and
the Dem party

If we could restore the status & prices ^{of money}
which were current in 1873 we could
not redress the ~~trick~~ the grievances
of the sufferers but we would
do great injustice to another &
larger class. It would be dishonest

Memo

Indian Cotton 1860 et seq.

Farmers or other producers
can buy with their product
as large a quantity
as ever
and the merchant can with his
wages buy a larger quantity of corn -
than ever before

Case of bimetallic

partial demonetization in 1871-8

result
Contraction of money, which was ^{partial} by a ^{decrease of silver} $\text{Gold} =$
changes in relative value $\text{Silver} =$
resulting appreciation of gold
and general decline in prices
decline in production of gold
& ~~more~~ greater use in the arts
destruction of the bimetallic ratio

disadvantages of a depreciating standard

- (1) Causes inconvenience and ^{in force} hardship on the debtor class
 - (2) Creates uncertainty as to profits ^{constant} $\text{enforces diminishing profits}$ upon the ~~commercial~~ ^{commercial} and industrial activities checks enterprise ^{natural} impairs the development of the productive power of the ~~land~~ ^{land}
- Evils from which the U.S. suffers in addition to the ^{above}

The change in relative value

has increased the value of exports
of competing foreign products notably
wheat from ~~some~~ ^{many} countries
cotton

- (3) destroys that stability in value in money as a standard of deferred pay ^{to} which is its most essential attribute

- (4) produces uncertainty ~~and irregularity~~ in all business enterprises which results in irregularity of employment to all engaged productive labor

The object of the bill
to give the Secy the power
to use the surplus money in the
Treasury amounting to more
than 100 millions of dollars
to the purpose to ~~use~~ ^{it should be devoted} to the reduction
to ~~the~~ ^{the} payment of the
national debt.

The object of the bill is to authorize the Secretary of the Treasury to apply the surplus money in the Treasury (now amounting - including deposits in National banks - to more than 100 millions of dollars) and the accumulations which may accrue prior to the taking effect of any act reducing the revenue to the purpose to which this surplus should be devoted viz; to the reduction of the National debt.

The bill ~~authorizes~~ provides that this may be done in the discretion of the Secretary either

- (1) by the purchase of outstanding bonds or
- (2) by ~~the~~ ^{a portion of} anticipating the interest payments on the four per cent bonds due in 1907.

The Secretary

A majority of the Committee believe that the second section of the Act of ~~the~~ 1881 ^{as was clearly the intention of Congress} gives to the ~~Secretary~~ ^{substantially} a continuing power to purchase bonds

but as the President has stated in his annual message ^{has stated} that doubts exist as to the ^{law power in the premises} the Committee in view of the importance attaching to the prosecution of an undoubted authority ^{on that officer} recommend the ~~pass~~ enactment of the first section which confers

Advantages to the Govt

- (1) To dispose of surplus in the most advantageous manner
- (2) To refund ~~the~~ ^{what is practically the entire indebtedness} at a lower rate of interest than that paid by any Government
- (3) (Not important) To give to the government the practical right to use the surplus revenues from time to time in the redemption of its outstanding obligations without payment of premium on the bonds

Advantages to holders

It enables the National Bank to continue
one of the functions that of furnishing a safe
and elastic ^{element in our} currency

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20

I am aware that the estimates I have submitted have some elements of uncertainty, and I may be asked what would happen if it should be found that I have been over-sanguine or wholly inaccurate in my statements of probable conditions and results. What shall we do if the revenues actually received are less than those I have anticipated, and large deficiencies are threatened? I answer with emphasis that it is then the imperative duty of Congress to reduce expenditures and make them conform to actual revenue conditions, and not to impose new and onerous taxes. The legislative power of Congress over the revenues and expenditures will not end with the adoption of the pending bill. Congress will be in session again in December, and again the following year. The President has the power to call us in special session at any time. The pending bill will, if enacted into law, provide all the necessary revenues required for public expenses upon a liberal scale. No further additional taxes are needed. The imposition of other taxes under these conditions would be ^{not only} ~~be~~ ^{but and prejudicial} ~~unwise and unjust~~ to every interest of the great people we represent.