

NELSON ALDRICH

Monetary Commission

MISCELLANY

BANKS OF ISSUE.

In the following tables will be found a general summary, together with the names and authorised issues of all the English, Scotch, and Irish Banks.

General Summary.

The following figures are taken from the latest available returns:--

England--	Bank of England	18,450,000*
"	12 Private Banks	482,744
"	17 Joint Stock Banks	1,084,836
Scotland-	10 Joint Stock Banks	2,676,350
Ireland--	6 Joint Stock Banks	6,354,494
		29,048,424
		29,048,424

Note.--The number of Private Banks authorised to issue their own notes in England by the Act of 1844 was at that date		207
Diminished in number by amalgamation	5	
Lapsed Issues	190	195
Number remaining		12

The number of Joint Stock Banks (in addition to the Bank of England) authorised to issue their own notes by the same Act was at that date		72
Lapsed Issues		55
Number remaining		17

The number of Banks authorised to issue their own notes in Scotland by the Act of 1845 was		19
Diminished in number by amalgamation	6	
Lapsed Issues	3	9
Number remaining		10

* Authorised note-issue beyond amount covered by bullion and specie at the Bank.

ENGLISH PRIVATE BANKS.

Name of Bank.	Authorized Note-Issue.
1 Banbury Bank	43,457
2 Badford Bank	34,218
3 Bicester and Oxfordshire Bank	27,090
4 Kington and Radnorshire Bank	26,050
5 Leeds Old Bank	130,757
6 Llandovery Bank and Llandilo Bank	32,945
7 Oxfordshire, Witney Bank	11,852
8 Plymouth, Naval Bank	27,321
9 Reading Bank -- Simonds & co.	37,519
10 Sleaford and Newark Bank	51,615
11 Wellington (Somerset) Bank	6,528
12 York and East Riding Bank	53,392
Total	<hr/> 482,744 <hr/>

ENGLISH JOINT STOCK BANKS.

Name of Bank	Authorized Note-Issue
1 Bank of Whitehaven, Limited	32,681
2 Bradford Banking Company, Limited	49,292
3 Carlisle and Cumberland Banking Company, Limited	25,610
4 Halifax and Huddersfield Union Banking Company, Limited	44,137
5 Halifax Commercial Banking Company, Limited	13,733
6 Halifax Joint Stock Banking Company, Limited	18,534
7 Lancaster Banking Company, Limited	64,311
8 Lincoln and Lindsey Banking Company, Limited	51,620
9 North and South Wales Bank, Limited	63,951
10 Nottingham and Nottinghamshire Banking Company, Limited	29,477
11 Sheffield and Hallamshire Banking Company	23,524
12 Sheffield and Rotherham Joint Stock Banking Company, Limited	52,496
13 Stamford, Spalding and Boston Banking Company, Limited	55,721
14 Stuckey's Banking Company, Limited	356,976
15 Whitehaven Joint Banking Company, Limited	31,916
16 Wilts and Dorset Banking Company, Limited	76,162
17 York City and County Banking Company, Limited	94,695
Total	1,084,836

SCOTCH BANKS.

Name of Bank	Authorized Note-Issue beyond amount covered by gold and silver coin at head offices.
1 Bank of Scotland	343,418
2 British Linen Bank	438,024
3 Caledonian Banking Company	53,434
4 Clydesdale Banking Company	274,321
5 Commercial Bank of Scotland	374,880
6 National Bank of Scotland	297,024
7 North of Scotland Bank	154,319
8 Royal Bank of Scotland	216,451
9 Town and County Bank, Aberdeen	70,133
10 Union Bank of Scotland	454,346
Total (Scotch Banks)	<hr/> 2,676,350 <hr/>

IRISH BANKS

Name of Bank	Authorized Note-Issue beyond amount covered by gold and silver coin at head offices.
1 Bank of Ireland	3,738,428
2 Belfast Bank	281,611
3 National Bank	852,269
4 Northern Bank	243,440
5 Provincial Bank of Ireland	927,667
6 Ulster Bank	311,079
Total (Irish Banks)	<hr/> 6,354,494 <hr/> <hr/>

(From "The Stock exchange official intelligence for 1907" page 466,
London, 1907)

EMERGENCY CIRCULATION.

There has been considerable discussion of late relative to a revision of the Currency Laws. The writer was a delegate from the Cincinnati Chamber of Commerce to a Convention of the National Board of Trade which convened at Washington in January, 1902, and as a member of the Finance Committee called upon Secretary of the Treasury Gage to discuss the various financial questions that had been presented for our consideration. Secretary Gage outlined in detail his views relative to a national bank circulation, partly secured by a deposit of greenbacks, the balance to be secured by a prior lien upon the assets of the bank of issue. Under normal conditions there is without doubt ample currency for the needs of Commerce, and the plan of Secretary Gage seems to the writer simply to provide an inflation of currency when it is not needed, and not one that would be responsive to the varying demands of commerce. An inflation of currency in times of easy money encourages reckless speculation and when confidence is shattered, all classes suffer alike in the panic that must necessarily follow.

As an alternative, the writer presented the following plan: The President of the United States, Secretary of the Treasury and the Comptroller of the Currency be given discretionary power to issue an emergency circulation to national banks in times of financial distress; this circulation to be in form the same as the present national bank bills; the notes to be secured by a prior lien upon the assets of the bank of issue, and to be limited in amount to 50% of the bank's capital. To insure the retirement of the circulation, just as soon as the business distress is over, a tax to be levied on the outstanding emergency circulation of say 1%

The Commission have not overlooked the necessity of a careful study of the banking experience of our own country; and ~~w~~ expect at an early day to publish a series of ~~state-~~ *articles by* ~~ments~~ of the best authorities covering this subject fully.

Banking events in the United States prior to the Civil War, however interesting from a historical standpoint, have very little, if any, practical value for us, save as warnings.

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It is therefore evident that we shall not be able to present a plan at the coming session; but I have every reason to believe that we may be able to make a report at the beginning

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^{with} ~~When our constructive work commences in earnest we shall, of course, encounter objections of all kinds, real and imaginary.~~ ^{growing out of} ~~These objections will come from two classes of men--one whose~~ ^{of a} ~~sanity is unquestioned but who have committed themselves to attract-~~ ^{character}

(a)

One of the difficulties we will have to contend with will be the rivalries between great cities as to where the center of our future financial system shall be located. But the representatives of all these cities should remember that all centers are interested first in national success, and that our currency and credit organizations should be established on broad and firm lines. It is of the first importance to all that the world's financial center should be located in the United States, where, by virtue of its preponderating resources and capital, it should logically be established. I realize fully that this cannot be achieved without a severe struggle and without the use of the agencies and methods which the world's experience has shown to be indispensable in a competition of this kind. If we show the wisdom and the vigor of which we as a people are capable,

(b)

we may expect in the not-distant future to have bills drawn on Chicago accepted by the merchants and banks of this great city to have a value in currency in the world's markets equal to sterling bills drawn on London.

of the last session of the present Congress. We shall welcome honest and intelligent criticism of our constructive work, as it is only through criticism of this nature, and the co-operation of thoughtful men, that we can hope to reach a satisfactory conclusion. We may expect criticism of another sort from two classes of objectors ---- one whose sanity is unquestioned, but who have committed themselves to attractive but impractical schemes; and another of sensational agitators, whose sole ~~own~~ stock in trade consists of appeals to class and sectional prejudices and passions. Criticism in all important matters is much easier and simpler than construction.

I realize the necessity of action at the earliest moment consistent with thorough preparation. We might be able to go on in a halting way for another decade with conditions

remaining as they are; but a grave responsibility will rest upon both the Commission and Congress if any considerable delay is permitted. Our country has natural advantages greater than any other; but its normal growth and development; its industries and its international trade, are retarded by recurring periods of depression and monetary crises which are not preventable by our obsolete banking methods. It is difficult for us to realize the rapidity of the progress which has been made in every direction by the United States within the last ten years. Take the growth of banking as a single illustration:

~~us.~~

~~I am not here to advocate a given plan. I am not here to instruct. But I am here, and I have been visit-~~
~~ing this great section of our common country, for the~~
 purpose of awakening the interest of the business-men,
 of the bankers, and ~~of~~ the people generally, in the char-
 acter and importance of these great questions. ~~I am~~
~~here to receive your instructions rather than to in-~~
 struct; for I am confident that this question can and
 will never be settled except with the consensus of opin-
 ion of the intelligent people of the United States, of
 the men who have made this country so great and so pros-
 perous.

I am
active economists,
committed to the
Commission

With this preliminary statement I shall call your
 attention directly to the character of the ~~financial~~ *Banking*
 organizations in England and in France and in Germany,
 especially with reference to the machinery and the
 methods which they use to prevent ~~crises.~~ *financial*

You are of course aware that this subject has two
 important branches. It has many others; but perhaps the
 two most important ones are those with reference to note-
 issue, and with reference to the organization of banking,

or the organization of credit. Personally, I have no doubt that the latter question is much more important than the former. I shall give you, later, my reasons for this opinion.

In considering the experience and the methods of other countries, our task is simplified by the fact that there is almost entire ^{an approximate uniformity of organization} ~~uniformity~~ ^{unanimity} of opinion among the bankers, business-men, and political economists (in fact, on the part of the entire people) as to the methods, ^{wisdom of the employed} ~~conditions, and machinery which are best adapted to the conditions which the Commission is trying to cover.~~ I say "almost entire uniformity", for this reason: There is one part of the British Empire that has a system in regard to banking and in regard to the issuing of notes which is quite different from any of the others; and that is Scotland.

In the opinion of most economists, students, and practical men who have given thought to the subject, the Scotch system is essentially a provincial one. It consists of eight banks, with eleven hundred branches. These banks are managed by a little group of men in Edinboro' and Glasgow, who control substantially all

in all and in

the banking operations of the banks and their branches by a "gentlemen's agreement" or central organization not known to the law, but which is as effective in the management of all their affairs as would be the directors of a central institution. ✓

The Scotch system of note-issue is, as you know, rather peculiar. The banks have a right to issue notes that are uncovered, or covered only by securities of various kinds, to the amount of their issues in 1845, when the Scotch bank-act was passed. That issue amounts to two million seven hundred thousand pounds, or something over two dollars per capita of the people of Scotland --- not a large or important sum as applied to us, in view of our thirty-three to thirty-five dollars per capita of outstanding circulation. All the other issues of the banks of Scotland are required to be covered by specie. But they have rather a peculiar way of ascertaining how much specie is necessary. ✓

The Scotch banks make statements at recurring periods; and those statements are taken as conclusive evidence of the amount of specie they have on hand.

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This principle was first recognized in a broad way in the English bank act of 1844. The Bank of France was given sole right of issue in 1848. The Bank of Belgium was organized in 1850 and given the exclusive right of issue. When the financial system of

Central Bank

Of course you realize as well as I do that this question is a vast one; that in its collateral issues it covers all the world; and that I cannot hope (as I certainly do not expect) to cover more than a very small portion of the field, and that only in a very fragmentary and incomplete way. But I wish tonight to briefly call your attention, first, to the machinery and the methods which are adopted by the great financial nations of Europe -- especially the Bank of England, the Bank of France, and the Reichsbank --- to prevent or palliate or cure financial difficulties of the class to which I have alluded. I wish also, if I have the necessary time, to

the end of semi-annual periods; and the amount of the specie which the banks have at that time governs the period which is covered. I may say here that the Scotch bankers are among the most thrifty and intelligent bankers in the world. If I were to pick out the men who, from the standpoint of the personal equation, best control and manage their institutions for their own benefit, I think I should select the Scotch bankers. (Laughter). They have a way, just before this statement-day comes, of sending down to London, or elsewhere in the Kingdom, and having specie sent to them. It is an indisputable fact that it is very often sent in packages -- what might be called original packages (laughter) --- and goes into the statement of the Scotch banks; and the next day it is returned to London. (Great laughter.)

In other words -- and I am not finding any special fault about this -- the banks of Scotland are as absolutely dependent upon the Bank of England as are any of the banks of England. For that reason I have grave doubt in my own mind as to whether there is anything in the Scotch experience that is of special value to us.

With that one exception there is, as I say, an ab-

Great; and part of its profits have from time to time been put back into the bank. It is, of course, a bank of the State, in that the State controls it; but so far as its organization is concerned it is responsible to no one.

The systems of ~~all~~ these three ^{Countries} ~~governments~~ are organized ~~from the top to the bottom~~ ^{through all gradations} that is, through ~~all these units~~ ^{all these units} -4- up to the central institutions; ~~that is, to the Bank of France, the Bank of England, and the~~

^{practically specie} Reichsbank. These central institutions in each case hold the entire reserves of all the banks of their respective countries. I ~~think this~~ ^{think} ~~assertion is not too broad.~~ In

making statements of their condition (which is done sometimes once a month, sometimes once in six months, but I think very rarely oftener than once a month), the banks of each of these countries report the amount of their "cash in hand and at the bank"; and that sum is consider-

^{D 1} ed the bank's reserve. Except in one case (London Smith's bank) the cash in hand is never stated separately; and no amount of persuasion that the members of the Commission were able to exercise upon any of these banks would induce them to state separately how much money they had in their vaults and how much money they had at the central bank. I think there is no exception

to that rule, unless it be Sir Felix Schuster's bank, London Smith's. That institution makes a statement at the end of the quarter, and not on the basis of the average amount held.

D | As a matter of fact, all of these banks hold only what we would call "till money". That is, not over three or four per-cent of the amount of the liabilities of any of the banks, great or small, located in any part of the several countries, is held in specie in the vaults of the bank. The remainder is held in the form of a balance at the central bank. The men who manage these institutions believe --- and of course there is some force in their contention, as I think you will discover as I go on -- that a credit at the central bank is better and safer than a corresponding amount of money in their own vaults. One of the managers of the Credit Lyonnais said to us that they simply make an estimate on one day of how much money they will pay out over their counter on the following day in the ordinary transactions of the bank; and in the morning one of their men goes to the Bank of France and gets the requisite amount of money. Sometimes they have too much, and

D |

D¹ sometimes too little, of course; but they step to the Bank of France whenever they want to replenish their cash, or deposit any excess, as the case may be. That idea runs through the whole system; and it is an important thing for you to keep in your minds -- that the reserve system of these countries is entirely unlike ours. It is in universal use abroad, however; and whether it is wise or unwise is of course a matter that we shall have to consider later on. Perhaps I should say, in passing, that the amount of cash in hand and at the bank averages about fourteen or fifteen percent of the current liabilities of the London clearing-house banks, which make their reports once a month.

D¹ The joint-stock banks, however, do have a secondary reserve. For instance, in the case of the London banks, they have money "at call and at short notice." So far as the London banks are concerned, this money is largely loaned to discount houses, the banks taking as collateral bankable bills of the character which I shall explain to you later. It is also loaned on other classes of securities --- those which are held by the merchants of London. (What we call "private bankers"

in the United States are always called "merchants" in London.) These men borrow these amounts from the banks on foreign bills, or on any collateral they have; and the banks hold about fifteen, twenty, or twenty-five per-cent of their liabilities in this secondary reserve. The English banks also hold government securities (and this applies only to the English banks -- the foreign banks do not do it) to the extent of their capital and surplus. I think there is no exception in this regard in London. That furnishes, also, a certain amount of reserve. The London banks intend to hold about thirty-three or thirty-five per-cent of their liabilities either in cash in hand or in the bank, or in money at call and at short notice.

But all of these banks have what to them is a more important reserve than either of those I have described; and that is a certain amount of what we would call "commercial paper", but which they call "bills." The nomenclature of their operations is entirely different from ours. There are no such things in any of those countries (or at all events only to a very limited extent, covering transactions where contracts are made) as what

D 2

we in this country call promissory notes. When a wholesaler sells goods to a retailer, or a retailer to a customer, upon credit or time, the seller makes a draft upon the purchaser at some time that is agreed upon (usually thirty, sixty, or ninety days), and the purchaser accepts it. That draft and acceptance is known as a domestic bill. Of course drafts upon foreign houses, or drawn by foreign houses upon London, are called foreign bills; but they are all called bills. There are trade bills, covering ordinary commercial transactions; finance bills, covering accommodation transactions; and foreign bills, covering international transactions; but they are all bills. The bills to which I am now alluding, however, are domestic bills.

In France very small bills are in common use. The manager of the Comptoir d'Escompte showed me a part of their portfolio of bills that were taken in ^{at} their different branches in the City of Paris. They ran from ^{ten} ~~five~~ francs upward; and the average of ^{all} the bills they ~~showed to me at that time -- several hundred in number --~~ ^{in their portfolio was about} was ~~sixty~~ ^{one hundred} francs, or ~~twelve~~ ^{twenty} dollars. ~~I presume the~~ ^{bankers of Wisconsin do not see many bills of that kind.}

The
New York A

all the great banks discount some bills of large amounts

(Laughter.) Of course ~~many of them are larger than that~~ and ~~cover enormous transactions~~. But bills of this class are considered by all these banks as their most efficient reserve; and they properly consider them so for the reason which I am about to state:

These bills can be taken to the central banks of the respective countries and discounted. There is no obligation on the part of the central institution to re-discount paper of this kind; but that is a part of the unwritten law of their existence. Most of the functions of the great central institutions are functions that have grown up in recent years.

For example, in all practical respects the bank of England of today is as unlike the Bank of England of 1844 as can be imagined. One resembles the other as little as a mule-team resembles an automobile. The principal functions of all the great banks are functions which have grown out of modern conditions, and have become necessary to sustain the credit of the people and of the countries in which the banks are located.

All of the minor banks which have commercial paper of the character I have mentioned (for I will use that

E 1
term interchangeably with "bills") can take it to the central bank at any time and have it rediscounted at the bank rate. These bills differ somewhat in character in each of the three countries, though they have many qualities in common. In England they must bear two names, of which one, a British subject, must be the acceptor. In France they must bear three names (although collateral can be substituted in place of one), and must not run for more than ninety days. In Germany they must bear two solvent names, and have a like limit of time. The average duration of the bills which each of these great banks has in its portfolio is somewhere from thirty to forty days. It is the universal belief abroad first, that these bills furnish the very best kind of security for a bank to hold (for of course they are constantly being paid); second, that they are absolutely necessary in the system as the most important part of the reserve.

~~Each of the great central banks holds the reserves for the entire country.~~ For example, if we may include a reasonable allowance for the three acres of land owned by the Bank of England in the very heart of London which

is not carried upon its books as an asset, that bank has one hundred million dollars of capital. Why does it have such a large amount?

I have frequently been asked that very question: Why should the Bank of England -- which serves a community limited not merely in territory, but in a ~~big~~, broad way in its commercial operations --- have that amount of capital?

I think the answer is obvious: Not only does the Bank of England hold the reserves and sustain the credit of England, ^{but} ~~of Wales, and~~ of the United Kingdom ~~(of~~ ^{more than that} ~~Scotland and Ireland as well)~~, but it holds the reserves and sustains the credit of the entire British Empire, with its four hundred millions of population, ~~and with~~ ^{in colonies} ~~affiliations~~ encircling the world. So that the Bank of England is something more than a Bank of England in the narrowest sense. ~~The friends of the Bank of England say -- and I sometimes think they say it with truth --~~ ^{We may say} that not only does the Bank of England sustain the credit of the British Empire, but it is the great financial center of the world.

Of course the British gold market is always an open

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I must say a word about the experience of four other countries; and I shall try to be very brief about it. I realize, better than any of you can, how uninteresting to a popular audience a subject so intricate and complex as this must be. I am assuming, however, that the men who are listening to me are either bankers, or merchants, or people who are giving thoughtful attention to this subject. I am quite sure that no other people would come here to listen to me.

Coming now to the four other countries that have had recent experiences in this regard --- experiences which are very interesting to me, and I am sure will be to you when you come to examine them -- let us take, for instance,

the case of Japan: You know what an inquiring and investigating character the Japanese people have. In 1870 they sent ^{to the U.S.} ~~over here~~ a commission of which Prince Ito, ^{the late} who ~~was recently killed~~, was an important member; and after an investigation they decided to adopt the American system of national banks. ^{was not found satisfactory} It ~~did not work~~. Recently they had a re-examination, under the leadership of Matsukata, who is ~~a really great man~~ -- one of the greatest financiers of the world, I think, so far as intelligence and knowledge are concerned. As a result of the second inquiry they adopted a system based upon that of ^{organization} ~~the Bank of Belgium~~ --- a ~~system of~~ central issues confined entirely to the Bank of Japan.

In Switzerland there was for twenty or thirty years an agitation for a reorganization of the banking and monetary system. The Swiss people had a plurality of issues ^{eg} and a ^{banks} plurality of functions of a central institution, which was not satisfactory. They appointed a commission to investigate the subject; and the commission recommended a central organization. The question was then submitted to referendum by the Federal Diet; and the people of Switzerland adopted the central organization. Their

decision was not acted upon for a number of years, however, for two reasons: First, there was difficulty with the cantons. There ^{had} ~~was~~ in Switzerland a system of cantonal banks, institutions owned in part by the various cantons, and the revenue of which went to the support of the cantons. Then they had another difficulty: There was a ~~great and~~ bitter dispute as to where the head office of the ^{central} bank should be located. The principal disputants were Berne and Zurich -- the former being the capital of the country, and the latter the great central business city of Switzerland.

To make the story ~~as short as I can~~, I will state that all these differences were finally compromised by providing that Berne should be the head office of the bank for note-issue, and that Zurich should be the head office of the bank for business purposes. The cantonal difficulties were settled by requiring the Bank of Switzerland, before any dividends were paid to its shareholders, to pay to the cantons out of its earnings an amount equal to the revenue which the cantons had formerly received from their cantonal banks.

Sweden has had a very singular experience. The Bank

of Sweden is twenty-five years older than the Bank of England. It is the oldest State bank in Europe. I need not say to you that the people of Sweden are a people of great intelligence and of great good judgment upon everything that pertains to their local affairs. There has been ~~going on~~ in Sweden for ~~something~~^{and business} like twenty years or more an agitation for a reorganization of their system. They found that it did not respond properly in cases of difficulty; and Sweden has from time to time had financial difficulties, such as we have had, and such as every country has had that has not some means of preventing them. For some time, therefore, there has been an effort to secure a reorganization of the banking system of Sweden. The great difficulty there was with a number of important Swedish banks that had the right of note-issue. There were twenty-three or twenty-four of these institutions, known as Enskilda banks, in existence at the time of the final legislation of 1901, which changed their system. A reorganization could not be completed before that time for the reason that the Enskilda banks were not willing to surrender to the

Riksbank their right of issue.

In that case a compromise was reached which to my mind is extremely interesting. The Swedish government required the central bank, the Riksbank, to discount for the Enskilda banks for a limited number of years limited amounts of commercial paper or bills at two per-cent less than the market rate, with a minimum rate of two per-cent. They expected that in time the Enskilda banks would give up their right of issue, and that they would then have a homogeneous central system so far as those functions were concerned. The actual result was that in 1901 Sweden had twenty-four banks of issue, and in 1902 she had one! The suggestion, the promise of these increased profits (~~I will not say "bribe"; that would be a pretty hard word to use, I suppose~~) led all these joint-stock banks to surrender their right of issue practically at once; and Sweden has today an organization of credit and of banks which is along the line of that of every civilized country in the world outside of Scotland and a similar experiment upon the other side of our line, in Canada. The Canadian system is, of course, substantially based upon the Scotch system. There are

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I realize better than any of you the great difficulties we shall have to encounter in adopting any change. I know the inertia that ^{affects} surrounds people who within a narrow circle have been successful with methods already in existence. I know that of the ninety millions of people of the United States (involving as that population does twenty-two million heads of families), a large proportion think they already have some plan that

will act as a panacea for our existing ills. I know that we shall be met by men whose sanity, while not unquestioned, is reasonably established upon other subjects (laughter) -- men who have spent their days and nights thinking about this subject until it is in a maze-- men who are never able to express their own opinions clearly, and are never able to make anybody understand what they are after. (Laughter.) These men will be an obstacle. We shall be met by another class --- by demagogues and fakirs, who hang about the outskirts of every great public discussion, intruding their views upon an unwilling public for self-exploitation. We shall be met by honest criticism; and we shall welcome that, because no great problem is ever ^{successfully solved} solved except as the result of intelligent criticism.

I am taking up the consideration of this question, as are the other members of the Commission, with an open mind. Eighteen months ago I thought I knew something about the subject. For thirty years, more or less, I have been a student of these subjects. But when the National Monetary Commission was appointed, I made up my mind that if I had any preconceived notions about the

subject they should be sent to the rear, and should not find any place in my mind until the whole question had been presented to me ---- not through an examination of foreign systems alone, but through an examination of ^{our methods and needs} the American system, and of the conditions that exist in the United States; and, above everything else, not until I could get the advice and the counsel of the men who, after all, should have the final decision of this question.

I have supreme confidence in the inherent intelligence, wisdom and patriotism of the American people. I know full well that when we can once bring this subject to their attention, and get them to investigate it calmly and quietly, we shall ^{obtain} get a result which, while it may not be everything that I want, or everything that any man ^{one does require} wants, will represent the wisdom of all.

Another thing that we shall have to meet is the political question. Already you can see the signs of that. Some men are disturbed about the First and Second Banks of the United States. No man in his

senses would think of adopting any plan based upon the First or Second Bank of the United States. We could not adopt such a plan if we wanted to; and no man would think of doing it. There are banks in every community that are more important in every respect than either of those banks. If you went back to that period you would have to give up your telegraphs, your telephones, your automobiles, your wireless telegraphy; you would have to put ^{your civilization to the middle ages} yourselves back ~~a thousand years~~, perhaps, in civilization. You do not intend to do that; and you can be perfectly certain that this Commission will not ask you to do it. But I will say this, gentlemen: Whenever the time comes for us to adopt a system for the United States we shall not be deterred by political fakirs calling our attention to the ghost of Andrew Jackson. Andrew Jackson was a great man; but he died many years ago. (Great laughter and applause.)

It is possible, gentlemen, to have monetary institutions that are not controlled by politics. Let us take the Bank of France as an illustration: At no time in its history has any political influence been exercised over that great institution. When it was

12 @

Seasonal or unusually demands
for cash currency or credit
for crop moving or other purposes
have at times ~~produced~~ ~~caused~~ ~~brought about~~
very unsatisfactory
~~dangerous~~ conditions in the money
market ~~by or account~~ owing to
the fact the ~~rigid~~ ~~provisionary~~ inelastic
and unscientific ~~pro~~ character
of our monetary system

The injurious results of this class of defects have usually

been felt only in times of anticipated or real trouble. ^{Among} The

~~of the second class is that~~ ~~includes one which~~
~~other class of defects to which I have referred imposes in ordi-~~
~~ary times unnecessary burdens upon business and production and~~
~~hinders the natural development of sections. This result is felt~~
~~more keenly~~
in new and undeveloped communities by farmers and others engaged
in useful production, who are obliged to pay high rates on their

loans and ^{who} to suffer from inadequate banking facilities, ~~and there~~
~~are no means in existence which can be made effective in secur-~~
~~ing an equalization of rates or a broader market for their loans.~~

The methods ^{necessarily used in raising} ~~by which~~ the enormous sums ~~in cash or credit~~ ^{required}
~~are necessary to be raised~~ for the production, movement, and marketing
of our agricultural and other products, are crude and unnecessari-

ly expensive to producers. In all sections, notes and bills of

In the absence of wise legislation

Insert 12 ^{evil} are

This careful statement
about importance
in credit
organ.

Conditions limitations on
credit organization

Must not interfere with or control
existing banks
must ~~be~~ servant not master

Must not be controlled
by one financial centre
realms
not by speculators

Must not be controlled by
any political influence

Chairing

Great change in Bank State ^{not}
what shall we do
with 50000+ resources
greater than all the
world besides

CB
Central banks

Modern conditions

World over
typified by Germany
Fr. B.
& France

Economic life of the nation

CB
Central banks

How far legislation should go

Should be only restrictive as to use
functions

CB
Central banks
+
+

Great central institutions not
creations of legislation but
development &

as now conducted

use

Depositors of banks, number 1/3 of our entire
pop. 1/4 of our adult population

CB
Central banks

With proper ^{normal} conditions and ^{with unquestioned} confidence
the inflow & outflow of gold would not
be disturbing to us. We could at any time
for instance ^{to meet an unmet} legitimate demand
export 100 or 200 millions of gold when countries with whom we
are anxious + would appreciate

relative

look up Deposits of ~~any~~ 3 great
Bank

and explain dif between current
accounts and deposits.

custon as paying interest etc

organized by the first Napoleon, there was put into its charter a provision that the Governor of the Bank should be appointed by the Chief of State -- not by the Emperor, not by the President, not by the King, but by the Chief of State. That charter has remained unchanged to the present time. Under every government -- under the first Napoleon, under Louis Philippe, under the ^{temporary} government ~~instituted in the Revolution of 1848~~, ^{following revolution} under the Commune, and under the Republic -- the Bank of France has gone on performing its high duty of preserving the credit and maintaining the honor of the people of France, without reference to who should be the Chief of State.

In the time of the Commune the premium on gold as compared with the notes of the Bank of France was less than the premium paid for currency in the United States in 1907. No question has ever been raised as to the ability of the Bank of France to protect the interests of that great country. Last year, in Paris, the grandson of one of Napoleon's great marshals, who had been investigating the history of the Bank of France, told me that he had in his possession a dispatch from the

field of Austerlitz, written by Napoleon immediately after the battle, saying to ^{in effect} his marshal as the representative of the Bank of France (which was just then being organized) that he wanted to remind him that the permanence and success of the Bank of France was of more importance to the French people than the victories which Napoleon was achieving upon the field of battle.

~~These~~ other great banks have never been influenced by political considerations. At no time in their history has there been a suspicion that any political influence was governing their action. No party in power, no ministry, in either of those countries, would dare for a moment to interfere with or to ignore the unwritten law which governs those institutions and their operations. ^{Commit to the government of} So I have no doubt that when the calm judgment ^{to regard business matters without party or political influence} of the American people is exercised upon this question we shall be enabled to do what ^{is requested} we want to do, and what we feel we must do, without reference to political or ^{electoral} other considerations.

I have great faith in the people. I do not mean faith without good works, however. The great admiration I have for the people of this community, and for

the people I have been talking to up and down the Mississippi Valley and the Missouri Valley, is based upon the fact that they do things. No other characteristic has so much that appeals to me as the capacity to do things. I have sometimes been accused of doing too many things, I think. (~~Great laughter and applause.~~)

But when ^{grand inquest has been held and} ~~this~~ consensus of opinion is reached, when this work of examination and education has been concluded; and when the American people make up their minds on the subject, ~~these quibblers and critics may as well go to the rear.~~ (~~Great and long-continued applause.~~)

*I shall have no question of
of the wisdom of their verdict*

It is important in the interests of the public service that a radical change in the procedure with reference to appropriations should be made, and the Senate is pledged to immediate reform in this regard. It should be the function of the Committee on Public Expenditures recently created to take into consideration, long before the appropriation bills are received from the House of Representatives, the estimates and needs of the various Departments, and report their recommendations to the Senate, in order that responsibility for *future* extravagancies ^{may} shall be clearly fixed. From an investiga-

tion more or less superficial, I am myself satisfied that the appropriations made last year could have been reduced at least \$50,000,000 without impairing the efficiency of the public service. There are periods in the life of a nation when the spirit of extravagance pervades the atmosphere, and the public money is scattered right and left, often without reference to the results to be secured. I hope and expect to see a radical reform in this direction. We have within the past few years created many unnecessary bureaus and multiplied employees beyond the possibility of efficient work.

It is but fair to say that when the appropriations for the year 1908 were made, the country had not been overtaken by the panic of 1907, and it is quite natural, perhaps, that appropriations should have been made upon the theory that the great prosperity of 1907, with its surplus revenues of \$111,000,000, was to continue indefinitely.

But a different condition existed when the appropriations for the year 1910 were made. It is true that the bills making these appropriations were necessarily passed without

22

careful consideration and without a general knowledge of Treasury conditions. The fact that the appropriations were less than the estimates does not relieve Congress from responsibility for their unprecedented extravagance. No excuse whatever can be found for similar legislation hereafter.

The conditions under which appropriations are usually made by Congress are, perhaps, in part responsible for the wilful waste of public money. Each Department practically makes its own recommendations independently of all the others, and without reference to the total amount of revenues which can be safely appropriated. The committees in charge of the various appropriation bills ^{are required to consider} ~~also consider~~ only the needs ~~and~~ ^{for which they report} requirements of the respective Departments without reference to the total amount of money available.

until after an oppor-

tunity has been afforded for the most careful and exhaustive study of all the conditions that surround the problem. We expect to be able to give to the public within a comparatively short time the fullest information with reference to the experience and practical methods of other countries and of ~~the conditions in our own.~~

These monographs that

~~intend~~ ^{will be complete and with reference to}
~~expect to make~~ ^{insert} ^{we have insisted in the preparation of these}
This investigation the most comprehensive on these subjects that has ever been undertaken. We shall present ^{the} facts ^{in each case}

^{should be stated}
without color or bias, ~~The Commission will not say~~
^{and that no opinions should be expressed as to}
the merits of one system ^{call attention to actual}
system is better than another, ~~but shall point out the actual~~
^{pared with another}

~~results in each case~~ ^{with all} ~~periences of each country.~~ ^{The inquiry} ~~This~~ will enable ^{those} ~~all~~ who are interested

to give the ^{all} various elements surrounding the problem thorough ex-

~~amination.~~ ^{study} ~~After giving time for this examination we shall seek~~ ^{insert *** allowed} ~~the Commission will~~ ^{then}

~~the counsel and cooperation of the thoughtful, intelligent men who~~

~~live in every part of the country~~ ^{advised} ~~have a right to be heard before any decision is reached.~~

~~I~~ ^I ~~accepting~~ ^{having} your invitation I ~~had~~ in mind the opportunity it

~~now~~ ^{more} afford me to make ^{You as} ~~an appeal~~ to the representative men of this great ^{earnest}

~~section to take an active interest in the solution of these great~~ ^{without}

~~problems and to give to the Commission the advantage of~~ ^{your valuable} ~~their~~ ^{counsel and}

~~earnest~~ cooperation in securing the ~~ultimate~~ adoption of a satis-

factory remedial plan of a character ^{that shall surely} ~~and on a scale worthy of the~~

~~concern and promote the vital interests of all the~~ ^{insert *** your own stake is so great} ~~people of this great country.~~ ^I ~~I feel that I have a right to ask~~

~~you to give to this subject your best thought and judgment.~~

~~The Commission are fully aware that if any plan which they may~~

insert

To the men whose enterprise, ability and foresight have

so largely ^{the} contributed to the upbuilding of a great and prosperous ~~community~~
which were in New England once looked ^{upon} as the great west
empire in what was once the west ~~and is~~ ^{but which is} now the centre of our

with this great ~~act~~ ^{act} at its
country, and of which ~~your~~ city is the actual metropolis, whose

to the
men who

people have more at stake, perhaps, than any equal number in the

entire country, I ^{can only} pledge the best efforts and judgment of the

Monetary Commission ^{for} ~~to~~ ^{to secure the} adoption of the wisest and best mone-

tary system the world has ^{ever} seen. But in this connection I venture

to express the hope that you ^{surely} ~~may be~~ ^{will continue} led to feel your own respon-

sibility, individually and collectively, for the satisfactory

outcome of our work.

FIFTY-EIGHTH CONGRESS.
NELSON W. ALDRICH, CHAIRMAN,
WILLIAM B. ALLISON, JOHN W. DANIEL,
ORVILLE H. PLATT, HENRY M. TELLER,
JULIUS C. BURROWS, HERNANDO D. MONEY,
THOMAS C. PLATT, JOSEPH W. BAILEY,
H. C. HANSBROUGH, ARTHUR P. GORMAN,
JOHN C. SPOONER,
BOIES PENROSE,
ARTHUR B. SHELTON, CLERK.

United States Senate,
COMMITTEE ON FINANCE.

STATE OF NEW YORK

REPORT
OF THE
COMMISSIONER OF THE DEPARTMENT OF TAXES
IN RESPONSE TO A RESOLUTION PASSED BY THE SENATE
MAY 15, 1905
RELATIVE TO THE
ASSESSMENT OF THE TAX ON THE
PROPERTY OF THE STATE

~~Give~~
Insert *

which we lay before you tonight

The list of the proposed publications of the Commission will

indicate to you the thoroughness of the work which we have entered

~~upon~~ ^{has been} upon in this connection. When this record is submitted to you

~~and you have had~~ ^{and has been given} time to analyze it carefully, we shall take occa-

sion to ask your opinion as to what, if any, portion of it you ^{and other representatives of the business interests of the}

is deem^{ed} pertinent and valuable in the formulation of a plan for the

United States, and we shall ask you to assist us in making a

practical application of ~~any~~ ^{methods or principles} pertinent to

our situation. so we intend to seek the advice and ~~counsel~~ cooperation of thoughtful intelligent men throughout the country before ^{we reach} any decision ~~is~~ reached

of the business interests of the

FIFTY-EIGHTH CONGRESS.

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JOHN C. SPOONER,
BOIES PENROSE,

ARTHUR B. SHELTON, CLERK.

United States Senate,

COMMITTEE ON FINANCE.

THE REPORT

OF THE COMMISSIONERS OF THE GENERAL LAND OFFICE

IN REGARD TO THE PROPOSED SALE OF CERTAIN

LANDS IN THE STATE OF TEXAS

AND THE PROPOSED SALE OF CERTAIN

LANDS IN THE STATE OF TEXAS

AND THE PROPOSED SALE OF CERTAIN

LANDS IN THE STATE OF TEXAS

AND THE PROPOSED SALE OF CERTAIN

~~recommend~~ is to be adopted, ~~it must~~ represent the consensus of in-

^{the men} telligent opinion of every section of our common country. Whenever

great monetary systems have been constructed or essentially modified

had given
In other countries, men whose experience and research have given

gone
their opinion special value have been called upon for advice and

assistance. Our Commission will ~~undoubtedly~~ follow this wise

precedent when the serious work of construction commences. *as to*

X
any plan to be successful must.

Nelson Amendment

That all national banking associations designated as regular depositaries of public money shall pay ~~interest~~ upon all special and additional deposits made by the Secretary of the Treasury in such depositaries, and all such associations designated as temporary depositaries of public money shall pay upon all sums of public money deposited in such associations interest at such rate as the Secretary of the Treasury may prescribe, not less, however, than one per centum per annum upon the average monthly amount of such deposits: Provided, however, That nothing contained in this Act shall be construed to change or modify the obligation of any association or any of its officers for the safe-keeping of public money.

I am aware that if a new question
to most business men they have
been otherwise engaged in other
pursuits

~~professional theorists~~

I have no theories to advance
no plans to urge

3 // closing

Chicago - inspiration
from

Closing
the future
what we can
do advance
in every direction
no of banks
future of banking

Conservative & radical East to West

conservative in preserving and using
what to be found best in the methods
by which the world has been advanced

I am a former radical ~~as you see~~ in at the front
moving the ^{every} ~~work~~ movement to advance the interests

A,

The great banks character in common

Private ownership control

Capital surplus

~~who vote~~
Power of stockholder
who can vote

B&E
stockholders of 500
and in no case
only one vote ✓

B of B
The 200 largest stockholders ✓

Reichsbank ✓

How companies do
reserves
How maintained
Effect change in rate of credits
increase in rate
& liberal extensions

Bank of Belgium
known to those
present value about 8.700
No shareholder or attorney
Can have more than 8 votes

Functions of central Banks
assume to be the
comp on great
usually without compensation
Keep a/c public debt
temporary loan in anticipation
Principa factor in sale or negotiation public debt
Transfer of funds (free?) Reichsbank & most of others
Keep Treasg-accounts
make payments & collections
pay mt on req & coupons
Proble sept ghs
Govt and take charge
debt
Exchange bills & ctc

Provision for note issue

Eng France Germany
stated separately — — —
character bills taken as ^{allowed as} _{currency}

Amount of notes in circulation

— fluctuations — ^{per capita}

~~Relations~~ Relations to other banks

Reserves

Character & Reserves ^{and} Specie

Most
Important functions of C.B. are

Cash on hand and in Bank
money at call & short notice
Securities held —

Commercial paper —
bankable bills
legal tender ^{currency}

ABC

These

~~We cannot create an~~ organization that will be a competitor in any sense for ordinary banking business with other institutions.

These banks have

~~It must be~~ an organization with limited powers and clearly defined functions, the exercise of which will be helpful to the banks of the

Its mission is

country. ~~It must~~ serve and not dominate other credit institutions.

Scotch banks habits Withers

Profits — Dividends —
earnings not excessive

μ

Eng 1200.00- for profits

France $\frac{1}{3}$ net profits

Germany

acceptances
Bank paper pro

Credit

Confidence -

Ability -

1907 General suspension banks -

inability to pay -

The strongest enable to meet
obligations

Cite Iron and steel

grain and cotton experiences
business houses in undoubted credit
unable to pay bills

experience in 1901 1902 etc

when Treasury defaults

Foreign Trade growth of exports

40 year France 500
UK 1000.
Ger 1100.
U.S. 1500.

23-24-25C

Politics - Bank of France

21 Local in Bank of England

No precedent 26...

32 Note issue unification

33

34

35

Methods of monetary policy

37-38
+ 39

Gold 38

Human Bank Inquiry 39

Experience of other countries 40 + 41

Eq. European banks in some banks do
 consider right of note issue
 valuable

Bills character in each case

fixed standard

avg. duration

diff in practice & in nomenclature

- | | | | |
|-----|--|-----|---|
| A 1 | Private banks | E 1 | Kind and character of bills discount |
| A 2 | Profit - not excessive | E 2 | Describe bills to face with promises that are bankable |
| A 3 | Division with state | E 3 | Bank of the State |
| A 4 | Not come banks - gradually delimitation of powers | A 5 | all receipts of all banks |
| | Not competition | A 6 | Bank & Banks from 1870 - through banks |
| | can't pay int on deposits | | Center and Mission & sustain credit |
| B 1 | Hold reserves entire | C 2 | public & private |
| B 2 | Country | | Accounts |
| B 3 | Character of these | | |
| | Tendency to increase specie holdings | | |
| B 4 | How reserves are protected and increased | D 1 | Reserve of private banks how increased & protected |
| B 5 | Increase of bank rate has not failed | D 2 | Discounts indefinite increased at sight |
| B 6 | Holdings of foreign bills cite examples | | |
| B 7 | all for interest on shipments bills bought direct & indirect premiums | | |

Note issue

England

France

Spice certificates 83 $\frac{5}{0}$

Germany

How controlled

" based

—
additional issues to

meet emergencies low proceeds

monetary requirements

England by credit

Out Proc of England Sectional

Bank of France Political

Jackson

They are all important banks from the standpoint of the amount of their capital stock and surplus. The capital of the Bank of England is \$72,765,000, with a surplus of about \$17,000,000; and if we should add the value of three acres of land in the heart of London occupied by the Bank which does not appear upon its books as an asset, we may say that the capital and surplus of the Bank of England is at least \$100,000,000. It is, therefore, as regards its capital, the largest bank in the world.

It has often been asked, Why should the Bank of England, which serves a community very limited in territory, and whose direct business with the public is very

p21

use

(6)

20

~~-22-~~

small, have one hundred millions of capital?

I think the answer is obvious. The Bank of England is the financial center of Great Britain; but it is much more than that. It is the financial center of the British Empire, with its four hundred millions of people, and with a territory extending around the world. The Bank of England is responsible for sustaining the credit of this great empire. If we are to believe what its friends assert so confidently, the Bank of England is the financial center not only of the British Empire, but of the world. It is true, as we all know, that sterling bills drawn on London are still the highest form of credit known. Sometimes the banks of Berlin and Paris buy sterling bills at a better rate (and when I say "better", I mean a lower rate) than bills drawn upon Paris or upon Berlin. The high credit which the Bank of England has so long enjoyed is unimpaired. This great central organization extends its ramifications to every part of the civilized world, and exerts its beneficial financial control over a territory unequalled in extent, and over an amount of business that is excelled only, if at all, by that of the United States.

as a rule
Other banks hold nothing but till money

B) in their [^] vaults say 2 3 or 4 % of
their demand liabilities

They depend entirely up on the Central
banks to ~~promptly request~~ ^{promptly request} or credits
to furnish funds ~~for~~ ^{to answer}
all further demands

REEL

55

CONTAINER

75 - 80

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