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TABLE No. 15.—CONDENSED STATEMENT OF

		Number of banks.	Loans, including overdrafts and mortgages owned.	Investments in bonds, stocks, and other securities.	Due from banks and bankers.	Cash
1	Maine	170	$69,179,623	$104,788,583	$10,121,219	$3,93
2	New Hampshire	121	55,677,294	60,893,254	6,441,287	2,048,
3	Vermont	100	65,852,395	24,507,089	5,804,552	1,602,32
4	Massachusetts	432	937,139,322	401,965,267	146,361,926	64,230,556
5	Rhode Island	54	113,844,348	91,638,446	20,151,197	7,519,525
6	Connecticut	203	184,165,852	202,476,531	23,320,143	8,984,042
7	New England States	1,080	1,425,858,834	886,269,170	212,200,324	88,319,980
8	New York	885	3,041,236,444	1,447,174,710	500,401,524	557,453,827
9	New Jersey	318	257,899,149	184,238,838	72,185,259	18,072,284
10	Pennsylvania	1,233	1,049,456,264	641,308,562	268,783,051	121,909,462
11	Delaware	43	18,260,554	15,971,643	3,184,879	1,237,967
12	Maryland	208	116,487,766	136,299,737	31,905,661	12,882,228
13	District of Columbia	28	48,107,490	18,840,949	18,565,912	4,632,657
14	Eastern States	2,715	4,531,447,667	2,443,834,439	895,026,286	716,188,425
15	Virginia	353	117,378,559	25,549,767	21,602,228	8,461,962
16	West Virginia	262	81,204,334	19,044,352	14,638,744	6,295,441
17	North Carolina	376	65,598,858	9,141,900	13,198,780	4,321,060
18	South Carolina	272	56,059,563	9,856,706	8,441,794	2,765,919
19	Georgia	573	115,474,156	15,300,850	19,484,728	7,318,608
20	Florida	142	33,798,631	8,102,190	10,925,441	3,367,186
21	Alabama	274	58,312,611	12,853,300	13,624,890	6,880,330
22	Mississippi	352	54,647,671	6,816,573	12,705,034	3,656,881
23	Louisiana	222	90,677,491	22,139,278	25,927,597	9,154,180
24	Texas	1,017	191,565,351	35,828,486	76,755,116	26,597,412
25	Arkansas	264	39,250,649	3,506,540	10,091,083	4,124,738
26	Kentucky	609	124,293,943	33,644,974	30,754,065	12,364,374
27	Tennessee	427	98,970,228	17,625,157	25,340,976	10,458,700
28	Southern States	5,143	1,127,232,045	219,410,073	283,490,476	105,766,791
29	Ohio	1,020	531,454,787	198,565,974	117,265,226	52,375,097
30	Indiana	798	212,790,298	60,402,691	53,790,842	22,459,901
31	Illinois	1,263	788,183,507	197,406,757	198,696,305	147,483,205
32	Michigan	572	252,426,774	60,638,956	57,033,633	25,047,507
33	Wisconsin	598	184,123,098	50,337,732	41,861,403	17,825,565
34	Minnesota	907	220,352,328	38,776,576	51,422,463	21,624,383
35	Iowa	1,365	343,340,591	34,250,197	70,145,450	19,841,065
36	Missouri	1,186	430,593,846	92,810,914	131,791,084	66,782,007
37	Middle Western States	7,709	2,963,265,229	733,189,797	722,006,406	373,438,730
38	North Dakota	567	50,083,365	4,430,492	14,372,144	4,026,483
39	South Dakota	538	55,515,995	5,428,964	22,039,893	4,763,648
40	Nebraska	859	145,380,860	15,651,310	46,576,983	14,485,216
41	Kansas	991	135,202,237	19,134,399	52,126,460	15,748,938
42	Montana	115	40,709,488	6,536,869	13,775,079	5,942,250
43	Wyoming	77	14,452,075	2,332,382	4,229,057	1,307,201
44	Colorado	259	65,842,214	32,201,703	45,046,646	15,128,624
45	New Mexico	71	12,826,730	2,564,686	5,060,042	1,551,203
46	Oklahoma	854	66,507,327	13,543,334	29,601,346	8,065,369
47	Western States	4,331	586,520,291	101,824,139	232,827,650	71,018,932
48	Washington	301	106,580,754	22,613,885	36,116,539	19,330,822
49	Oregon	199	53,315,475	20,185,754	22,865,768	12,989,483
50	California	632	469,084,823	163,968,658	118,236,193	45,992,800
51	Idaho	167	25,437,012	4,096,947	7,152,058	2,805,869
52	Utah	82	36,176,676	7,681,190	12,840,788	4,588,607
53	Nevada	39	11,876,101	2,717,186	4,344,831	1,356,115
54	Arizona	48	10,086,415	2,564,225	5,097,876	1,861,751
55	Alaska	13	3,165,532	712,496	4,159,623	654,083
56	Pacific States	1,481	715,722,788	224,540,341	210,813,676	89,579,530
57	United States	22,459	11,350,046,854	4,609,067,959	2,556,364,818	1,444,312,388
58	Hawaii	14	8,593,913	2,733,750	304,100	2,509,187
59	Porto Rico	9	5,248,251	2,263,983	1,193,533	2,084,560
60	Philippines	9	9,328,673	376,524	4,209,251	3,108,541
61	Island possessions	32	23,170,837	5,374,257	5,706,884	7,702,288
62	United States and island possessions	22,491	11,373,217,691	4,614,442,216	2,562,071,702	1,452,014,676

AND LIABILITIES OF ALL REPORTING BANKS BY STATES, APRIL 28, 1909.

Other resources.	Total resources.	Capital.	Surplus and undivided profits.	Individual deposits.	Government deposits.[a]	Due to banks and bankers.	All other liabilities.[b]	
$6,443,958	$194,468,508	$12,288,900	$16,579,981	$153,527,530	$382,358	$2,224,502	$9,465,237	1
2,656,383	127,716,627	6,426,400	11,528,629	101,195,882	503,504	2,603,510	5,458,702	2
1,616,433	99,382,792	6,884,800	7,998,137	77,605,020	238,710	1,101,297	5,554,828	3
56,873,676	1,606,570,747	72,532,700	134,094,782	1,237,202,718	1,541,325	126,101,068	35,098,154	4
4,549,175	237,702,691	14,456,668	19,582,677	191,688,971	275,974	3,795,652	7,902,749	5
9,172,757	428,119,325	25,910,050	36,490,775	345,029,374	538,203	6,115,751	14,035,172	6
81,312,382	2,693,960,690	138,499,518	226,274,981	2,106,249,495	3,480,074	141,941,780	77,514,842	7
412,658,579	5,958,925,084	263,664,478	537,724,124	4,039,703,167	6,861,653	980,626,233	130,345,429	8
21,178,490	553,574,020	38,618,950	61,767,121	408,182,158	911,564	26,046,192	18,048,035	9
130,549,476	2,212,006,815	229,825,373	313,759,139	1,314,027,268	4,307,688	250,693,003	99,394,344	10
1,835,495	40,490,538	4,561,185	6,190,186	26,886,642	56,912	971,406	1,824,207	11
15,809,597	313,384,989	29,952,760	31,880,828	200,104,074	1,817,685	29,741,699	19,887,943	12
8,121,357	98,268,365	14,747,385	9,114,866	58,812,121	2,036,921	5,773,346	7,783,726	13
590,152,994	9,176,649,811	581,370,131	960,436,264	6,047,715,430	15,992,423	1,293,851,879	277,283,684	14
7,772,464	180,764,980	24,516,830	18,271,819	109,022,380	2,712,464	12,063,102	14,178,385	15
6,802,929	127,985,800	18,579,193	11,779,975	84,156,305	746,973	4,379,990	8,343,364	16
5,284,604	97,545,202	14,689,242	6,933,476	57,749,446	730,769	5,304,413	12,137,856	17
3,192,587	80,316,569	14,131,360	7,225,376	46,318,046	427,635	3,060,777	9,153,375	18
8,144,302	165,722,644	31,173,724	19,413,429	86,705,742	1,097,130	8,180,446	19,152,173	19
2,832,993	59,026,441	8,497,500	3,766,443	36,053,798	821,683	4,523,297	5,363,720	20
5,187,034	96,858,165	17,909,360	9,994,142	54,453,699	521,562	4,033,590	9,945,812	21
4,458,781	82,284,940	15,947,413	6,737,509	51,431,259	200,000	1,746,836	6,221,923	22
10,743,956	158,642,502	21,955,800	15,674,625	90,504,530	425,410	20,377,809	9,704,328	23
16,738,351	347,484,716	57,529,866	29,642,424	187,102,529	1,787,574	40,074,182	31,348,141	24
4,047,427	61,020,437	11,661,989	5,625,161	36,933,893	109,461	3,895,187	2,794,746	25
9,715,382	210,772,738	36,682,385	15,831,263	117,935,597	3,165,198	16,990,841	20,167,454	26
9,888,662	162,283,723	23,863,065	10,585,426	100,870,375	1,163,028	11,816,422	13,985,407	27
94,809,472	1,830,708,857	297,137,727	161,481,068	1,059,237,599	13,908,887	136,446,892	162,496,684	28
42,651,152	942,312,236	101,859,017	67,415,653	629,686,485	3,248,153	77,803,015	62,299,913	29
12,817,882	362,261,614	48,608,567	21,995,205	240,376,775	2,870,606	22,648,028	25,762,433	30
58,878,848	1,390,648,622	122,703,381	91,384,587	838,081,821	5,943,506	277,876,885	54,658,442	31
14,826,768	409,973,638	36,819,149	24,720,938	307,303,081	1,604,281	25,323,421	14,202,768	32
9,210,414	303,358,212	31,688,150	15,630,463	221,959,272	1,274,850	16,448,205	16,357,272	33
16,285,524	348,461,274	34,263,000	21,304,332	228,694,951	1,677,988	47,213,527	15,307,476	34
18,892,378	486,469,681	53,859,697	24,240,456	341,771,250	1,521,830	44,249,211	20,827,237	35
27,539,994	749,517,845	79,821,260	65,775,026	388,305,288	2,422,609	180,765,032	32,428,630	36
201,102,960	4,993,003,122	509,622,221	332,466,660	3,196,178,923	20,563,823	692,327,324	241,844,171	37
5,334,963	78,247,447	10,459,777	3,477,022	56,840,122	357,152	3,597,111	3,516,263	38
5,274,876	93,023,376	9,180,606	3,671,693	69,560,260	752,907	6,769,461	3,088,449	39
9,372,313	231,466,682	25,014,240	11,206,279	149,373,019	1,545,914	34,478,787	9,848,443	40
8,113,350	230,325,384	26,699,000	14,270,157	154,608,971	1,133,082	22,833,378	10,780,796	41
2,828,590	69,792,276	7,670,300	4,702,393	49,169,031	894,074	3,925,178	3,431,300	42
684,815	23,005,530	2,481,000	1,856,996	15,653,954	459,235	1,098,362	1,455,983	43
5,706,826	163,926,013	13,795,152	8,872,656	109,688,532	1,565,691	22,446,892	7,557,090	44
1,004,688	23,007,349	3,077,102	1,269,021	14,870,326	392,660	1,613,909	1,784,331	45
8,119,612	125,836,988	19,697,950	6,777,617	80,390,202	1,210,425	9,073,619	8,687,175	46
46,440,033	1,038,631,045	118,075,127	56,103,834	700,154,417	8,311,140	105,836,697	50,149,830	47
13,831,825	198,473,825	20,794,895	9,809,593	140,786,085	2,880,429	16,012,504	8,190,319	48
4,531,801	113,888,281	11,887,750	6,128,460	80,271,009	1,584,535	9,780,426	4,236,101	49
45,687,406	842,969,880	96,843,148	69,993,931	567,185,799	2,018,022	72,896,055	34,032,925	50
3,246,356	42,738,242	6,777,381	2,718,486	28,882,773	394,380	2,140,393	1,824,829	51
2,553,361	63,840,622	5,859,507	3,032,959	43,603,838	367,100	7,503,183	3,474,035	52
1,240,332	21,534,565	3,890,120	1,347,605	13,319,665	110,060	781,197	2,085,918	53
1,360,125	20,970,392	2,013,200	1,649,919	15,615,193	259,981	548,962	883,137	54
814,780	9,506,514	1,213,600	299,845	7,434,797	199,509	286,565	72,198	55
75,265,986	1,313,922,321	149,279,601	94,980,798	897,099,159	7,814,016	109,949,285	54,799,462	56
1,087,083,827	21,046,875,846	1,793,984,325	1,831,743,605	14,006,635,023	70,070,363	2,480,353,857	864,088,673	57
977,615	15,118,565	3,065,077	968,286	9,959,053	331,456	130,304	664,389	58
675,412	11,465,739	1,454,302	817,166	7,144,382	.....	161,221	1,888,668	59
4,571,281	21,594,270	1,532,664	1,096,372	11,784,706	.....	3,458,513	3,722,015	60
6,224,308	48,178,574	6,052,043	2,881,824	28,888,141	331,456	3,750,038	6,275,072	61
1,093,308,135	21,095,054,420	1,800,036,368	1,834,625,429	14,035,523,164	70,401,819	2,484,103,895	870,363,745	62

[a] Includes deposits of United States disbursing officers.

[b] Including $636,367,526 circulation of national banks.

TABLE No. 16.—CAPITAL OF ALL BANKS AND AVERAGE PER CAPITA, BY STATES, APRIL 28, 1909.

	Population June 1, 1909.[a]	Paid-in capital.	
		Amount.	Average per capita.
Maine	724,000	$12,288,900	$16.97
New Hampshire	443,000	6,426,400	14.50
Vermont	351,000	6,884,800	19.61
Massachusetts	3,106,000	72,532,700	23.35
Rhode Island	520,000	14,456,668	27.80
Connecticut	1,069,000	25,910,050	24.24
New England States	6,213,000	138,499,518	22.28
New York	8,814,000	263,664,478	29.91
New Jersey	2,378,000	38,618,950	16.24
Pennsylvania	7,287,000	229,825,373	31.54
Delaware	198,000	4,561,185	23.03
Maryland	1,343,000	29,952,760	22.30
District of Columbia	364,000	14,747,385	40.51
Eastern States	20,384,000	581,370,131	28.52
Virginia	2,049,000	24,516,830	12.01
West Virginia	1,136,000	18,579,193	16.35
North Carolina	2,148,000	14,689,242	6.84
South Carolina	1,520,000	14,131,360	9.30
Georgia	2,580,000	31,173,724	12.08
Florida	682,000	8,497,500	12.46
Alabama	2,133,000	17,909,360	8.40
Mississippi	1,815,000	15,947,413	8.78
Louisiana	1,642,000	21,955,800	13.37
Texas	3,832,000	57,529,866	15.01
Arkansas	1,483,000	11,661,989	7.86
Kentucky	2,432,000	36,682,385	15.08
Tennessee	2,271,000	23,863,065	10.50
Southern States	25,714,000	297,137,727	11.55
Ohio	4,627,000	101,859,017	22.01
Indiana	2,853,000	48,608,567	17.04
Illinois	5,785,000	122,703,381	21.21
Michigan	2,675,000	36,819,149	13.76
Wisconsin	2,342,000	31,688,150	13.53
Minnesota	2,165,000	34,263,000	15.82
Iowa	2,265,000	53,859,697	23.78
Missouri	3,478,000	79,821,260	22.95
Middle Western States	26,190,000	509,622,221	19.46
North Dakota	510,000	10,459,777	20.51
South Dakota	509,000	9,180,606	18.03
Nebraska	1,077,000	25,014,240	23.22
Kansas	1,675,000	26,699,000	15.94
Montana	336,000	7,670,300	22.83
Wyoming	111,000	2,481,000	22.35
Colorado	654,000	13,795,152	21.09
New Mexico	230,000	3,077,102	13.38
Oklahoma	1,335,000	19,697,950	14.75
Western States	6,437,000	118,075,127	18.34
Washington	670,000	20,794,895	31.03
Oregon	505,000	11,887,750	23.54
California	1,732,000	96,843,143	55.91
Idaho	239,000	6,777,381	28.35
Utah	340,000	5,859,507	17.23
Nevada	42,000	3,890,120	92.62
Arizona	155,000	2,013,200	12.99
Alaska	95,000	1,213,600	12.77
Pacific States	3,778,000	149,279,601	39.51
United States	88,716,000	1,793,984,325	20.22
Hawaii	210,000	3,065,077	14.59
Porto Rico	1,020,000	1,454,302	1.42
Philippines	[b] 8,000,000	1,532,664	.19
Island possessions	9,230,000	6,052,043	.65
United States and island possessions	97,946,000	1,800,036,368	18.38

[a] Estimated by Actuary of the Treasury.

[b] Estimate for 1908.

United States Senate,

WASHINGTON, D. C.

Mr Dawes

Make table similar to table No 15 Condensed Statement of Resources & Liabilities viz

Table No. Condensed statement of Resources and Liabilities of all reporting Banks in Reserve Cities

New York							
Chicago							
St Louis							

Central Reserve Cities

Albany

Boston

K

Co

M

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SUGGESTED CHANGES IN NATIONAL BANKING LAWS

BOSTON, MASS., Sept. 26, 1908.

Section 18 of the Act of Congress approved May 30, 1908, known as the Aldrich-Vreeland Bill, provides "that it shall be the duty of this Commission to inquire into, and report to Congress at the earliest date practicable, what changes are necessary or desirable in the monetary system of the United States, or in the laws relating to banking and currency." Under this authority the National Monetary Commission is making a careful study of the laws authorizing the establishment of National Banks and their administration. Believing that the officers of National Banks have had the most intimate knowledge of the workings of these laws, and have considered the reasons for or against any changes which may be suggested, it seems wise to the Commission that their opinion be obtained before making any recommendation to Congress. For that reason we request that, at as early a date as possible, a reply be made, either by the President or some officer of your bank, to the following questions.

1. Section 5240 of the Revised Statutes authorizes the Comptroller of the Currency, with the approval of the Secretary of the Treasury, to appoint suitable persons to make examinations of National Bank Associations.

Should, in your judgment, the method of appointing examiners be continued as at present, or be made subject to Civil Service rules?

Is it desirable to apply Civil Service regulations to the tenure in office of bank examiners?

2. The same Section of the Revised Statutes, 5240, provides the method for paying examiners, basing it on the fee system.

In your judgment, is it desirable to change this to a salary or per diem basis, to which there should be added the necessary expenses incurred in making examinations; it being understood that banks shall be assessed to pay salaries and expenses in a similar manner as now provided for by the existing law?

3. In making assessments to provide a fund to pay examiners, and other expenses, do you think the law should be changed so as to base the amount of this assessment on capital and gross assets rather than on capital alone, as the law now provides?

4. Do you think it would be desirable to provide a force of assistant examiners, to work in co-operation with examiners in larger places, and, in future, when vacancies occur, to recruit the force of examiners from these assistants?

5. As examiners are frequently in charge of failed banks, acting as temporary receivers, do you think it would be desirable to require them to give a sufficient bond for the protection of the Government and the bank when such contingencies occur?

6. Section 5200 of the Revised Statutes limits the total liabilities to any Association of any person, company, corporation or firm, but excepts bills of exchange in the following terms: "But the discount of bills of exchange, drawn in good faith against actually existing values, and the discount of commercial or business paper, actually owned by the person negotiating the same, shall not be considered as money borrowed." Evidently the intention, in making this exception, was to enable the owner of such paper to realize on it at once, preventing the necessity of tying his capital up in forms of indebtedness not of his own making. Frequently banks have allowed a liability of this class to greatly exceed in amount what they could legally take as a direct loan. Many failures have resulted from these excessive loans made to a single, or allied, interest.

In what manner do you think the law can be amended to remedy this condition, and sufficiently limit the amount of paper of this character which a bank can properly discount?

Should the Comptroller, in such cases, be given authority to take action when, in his judgment, loans are being made in excess of the limit indicated by prudence and safety?

Should directors and officers of banks be placed in a different category from general creditors in such cases?

Should a penalty be provided for violation of such changes as may be recommended, enforcible against the officers or directors responsible for such violation?

7. Section 5205 of the Revised Statutes provides for the impairment of capital. Under the present law this impairment must be made good by a stock assessment within three months from the receipt, by the directors, of notice from the Comptroller. If this is not done, the Association is placed in liquidation.

Should not the Comptroller have authority in such cases to protect depositors who may, during the three months specified, deposit their money in a bank in which he, the Comptroller, knows the capital is impaired? If so, in what manner do you suggest that such deposits should be protected? There have been many instances of bank failures, and some serious losses to depositors in such cases.

8. In what manner would you suggest the limitation of borrowing from a bank by its officers, directors or employees, both in making direct and indirect loans, and would you make any difference in such cases between officers and directors? Do you think any officer should be permitted to borrow from his own bank?

9. The Supreme Court of the United States has held that it is unlawful for a National Bank to purchase or invest in the shares of stock of other corporations, but the laws of several States authorize the ownership of stock of National Banks by other corporations. There have been several instances in which the directors of the holding corporation and of the National Bank have been the same individuals, and when trouble arose the holding corporation became involved as well as the bank, and in such cases the possibility of double liability was entirely annulled.

In your opinion, would it be wise to provide against the holding of shares of National Banks by any other corporation, except in cases when taken in satisfaction of debts?

10. In your judgment, is the operation of another banking institution in the same building with a National Association so undesirable that legislation should be recommended preventing it? There have been cases where securities owned by one corporation have been used during examinations of the other, preventing examiners from obtaining a correct knowledge of the condition of either of such allied corporations.

11. Under Section 5211 of the Revised Statutes, which provides for bank reports, banks are not required to make them in duplicate, and in several instances the examiner has been furnished by the officers of the bank with a report entirely dissimilar from the one on file at the Department in Washington, and, in using the imperfect report, he has found that the bank's books corresponded to it. This permits of deliberate falsification of accounts.

Would it, in your judgment, be wise to require that reports be made in duplicate, both reports being sent to the Comptroller of the Currency, and one copy furnished to the examiner by the Comptroller when about to undertake the examination of the bank?

12. Section 5211 of the Revised Statutes provides for the publication of reports, showing the condition of National Banks, including the direct and indirect liabilities of officers and directors.

In your judgment, would it be wise, in publishing such reports, to show the individual liability of the officers and directors; not individually, but collectively?

13. Section 327 of the Revised Statutes provides for a Deputy Comptroller of the Currency, to be appointed by the Secretary of the Treasury, and the Legislative, Executive and Judicial Appropriation Bill, approved May 22, 1908, provides for an additional Deputy Comptroller, to be appointed by the President.

Would you recommend that both these Deputies be appointed by the Secretary of the Treasury as a result of Civil Service examinations, and be subject to Civil Service regulations?

14. Section 5209 of the Revised Statutes makes it a misdemeanor for an officer or an employee of a bank to make false entries with intention to deceive, but the Courts have decided that this does not apply to reports made to the Comptroller of the Currency, as he is not mentioned in the law.

Should not the law be extended to apply to false reports made to the Comptroller?

15. In your judgment, should the law be so changed as to make it possible to enforce the liability of shareholders who have foreseen the insolvency of a bank in which they own stock, and have transferred that stock, to escape liability, before an assignment is made?

16. The law as it now stands requires every National Bank to keep on deposit with the Treasurer, in lawful money of the United States, a sum equal to five per cent of its outstanding circulation, to be used for the redemption of circulating notes. There have been many instances where banks have failed to promptly reimburse the Treasury for the redemption of their circulation, and, as the law now stands, the only recourse the Comptroller has is to sell the bonds

held against circulation, or to appoint a receiver, either of which courses might be detrimental to the interests of the Government, the note holders and creditors of the defaulting bank. At the present time the aggregate deficiency due the Treasury for this reason amounts to several millions of dollars.

Should not the Treasurer be authorized to, in some way, enforce this law without taking the extreme measures which are now provided, and, if your answer is in the affirmative, in what way would you provide for its enforcement?

17. The present law limits the amount of the notes of the denomination of five dollars which a bank may have outstanding to one-third of its total circulation. Frequent complaints are made in some localities that this amount is insufficient to meet the requirements for small bills.

Do you think it desirable that this limit be increased?

18. Would it be well, in your opinion, to change the existing laws so that liquidating banks could, in some way, arrange to pay depositors more rapidly? A careful examination of the assets of failed banks will frequently show about how much dividend they can eventually pay, and considerable distress would be prevented if something approximating this amount could be paid to depositors without any delay.

19. Have you any suggestions to make relative to changes in the organization of the Comptroller's Office?

There are many other minor changes which it is apparent should be made in the administrative features of National Bank laws, some of which may occur to you, and the Commission will be gratified if you, in your answer to the above questions, will make any recommendations which seem to you wise, giving your reasons for urging such changes. In replying please direct to Room 213, No. 60 Congress Street, Boston, Massachusetts.

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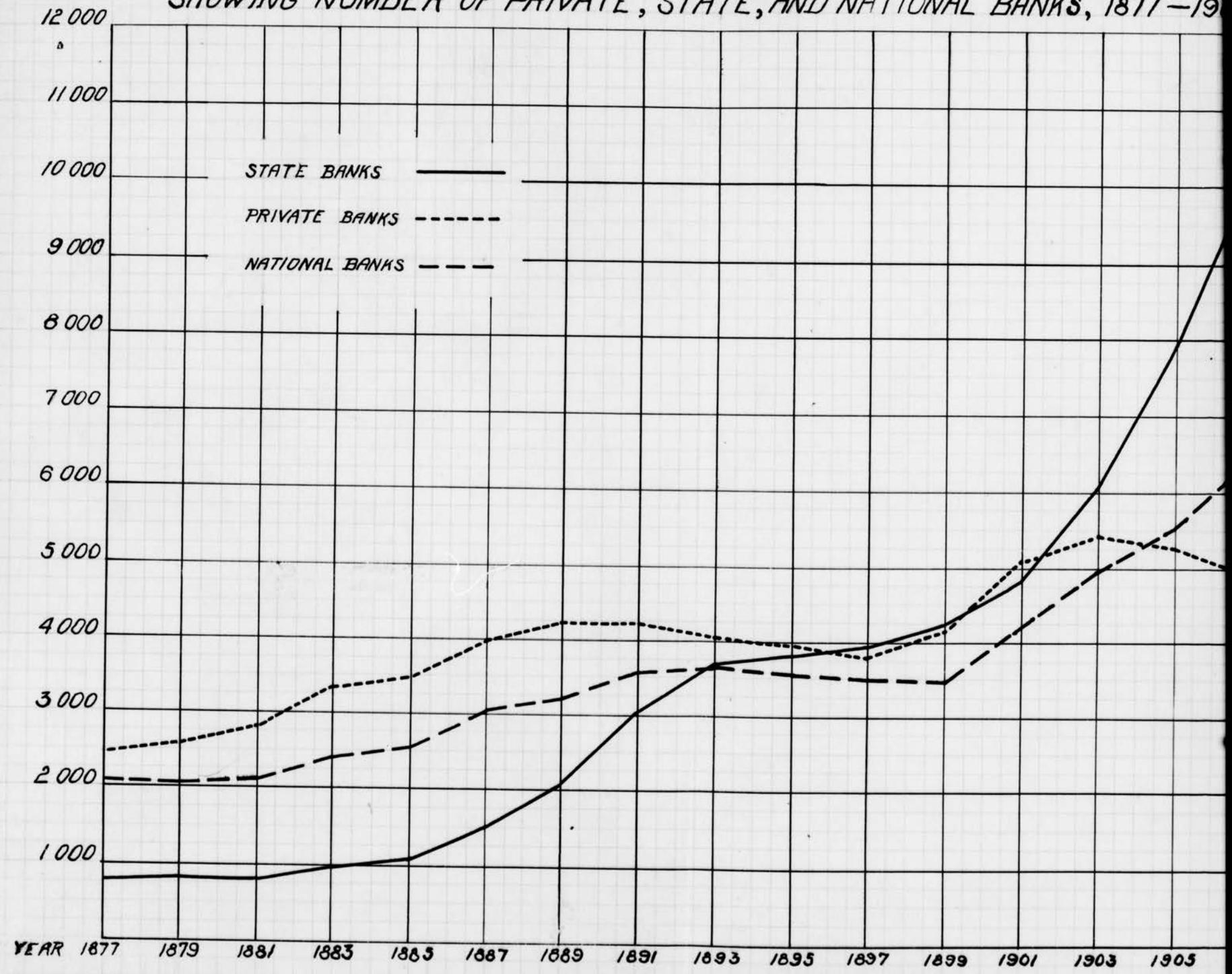
J.59045

DIAGRAM

SHOWING NUMBER OF PRIVATE, STATE, AND NATIONAL BANKS, 1877—19



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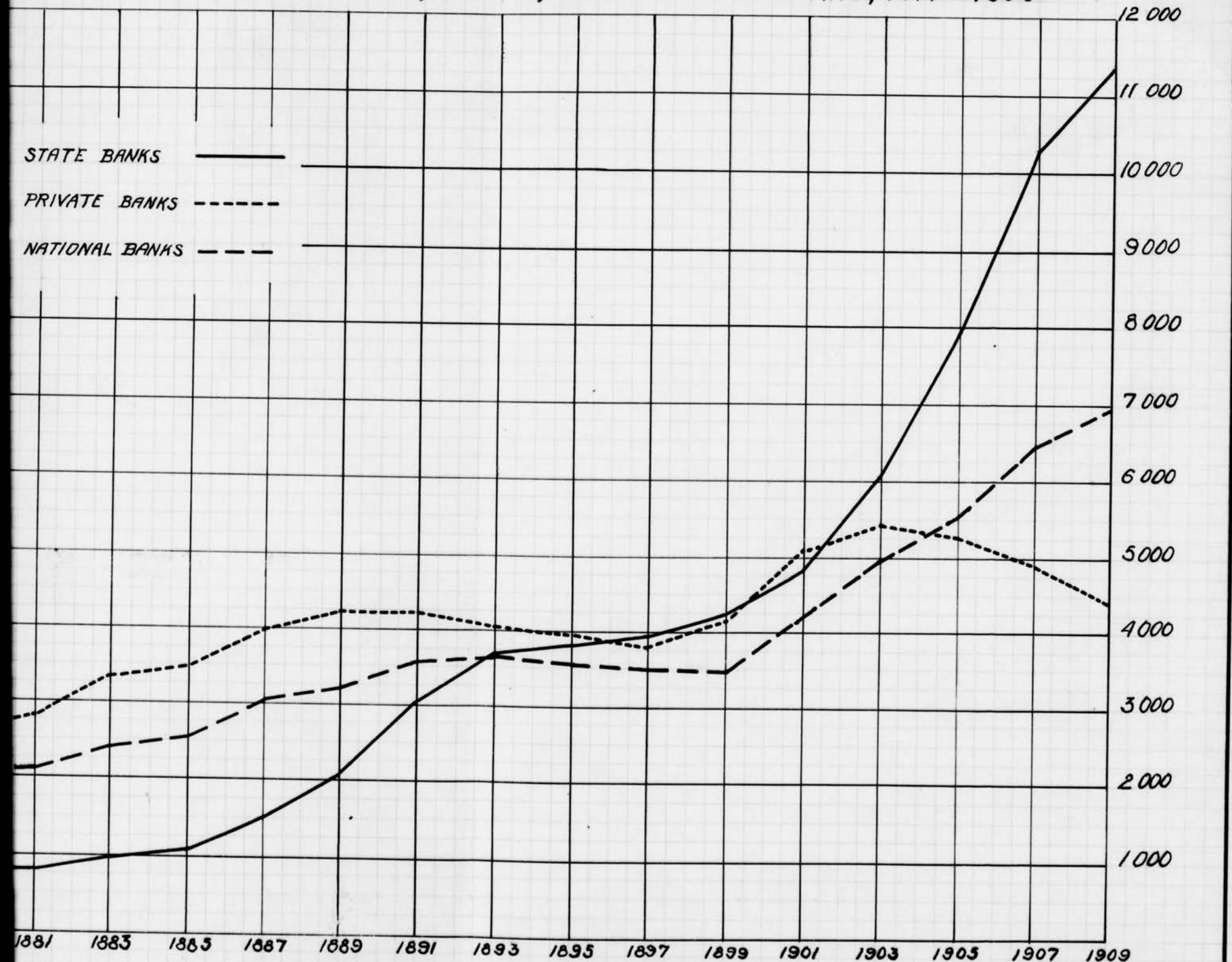
J.59045

DIAGRAM

WING NUMBER OF PRIVATE, STATE, AND NATIONAL BANKS, 1877–1909



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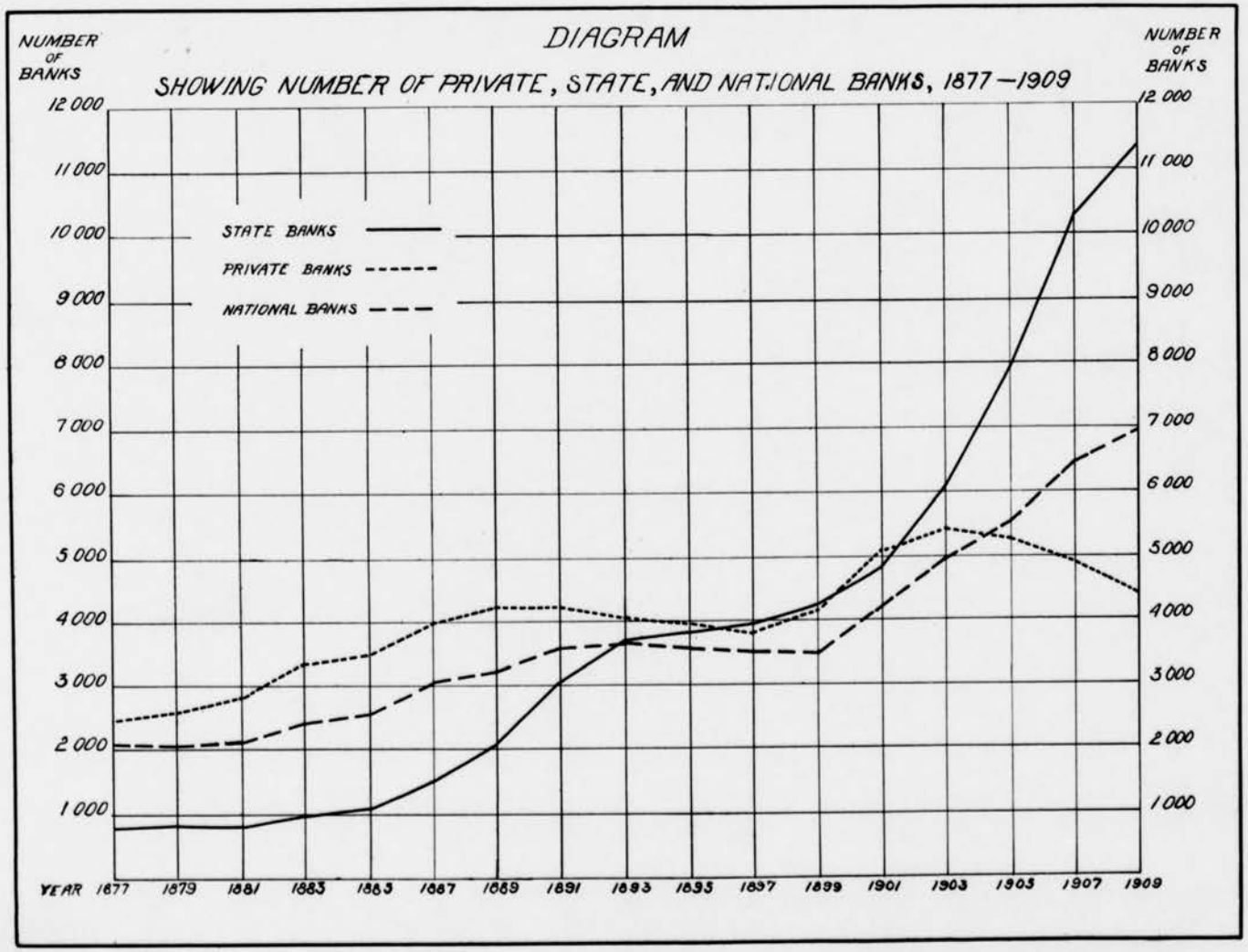

Forms printed for use of Mr E Eldredge, Canada statistics.

AGRICULTURE.

Overdrafts.			Loans.				Real estate mortgages.*				Branc
					Rates of interest.						
Are they permitted.	How secured.	Rate of interest upon.	Usual character of collateral.	Average period.	For average period.	For longer period.	Usual character of property.	Usual length of time.	Usual percentage advanced.	Usual rate of interest.	How managed.

*Banks may not loan on real property, but they are allowed to take a mortgage on real estate as "additional security" after the loan has been made. Lenders of money on real estate (loan and t of the value at the current local rates.

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Lumber.

Provinces and cities or towns.	Population.	Character of local business.	Names and character of banks.	Aggregate of deposits.					Are time certificates issued.	Interest paid o	
				Savings.	Current balances.	Time.	Proportion loaned locally.	Proportion bearing interest.*		Savings.	Current ances

* All interest-bearing accounts are "savings" accounts except where specified as current balances.

Lumber.

Aggregate of deposits.					Are time certificates issued.	Interest paid on deposits.			Discounts.					Exchange.	
Savings.	Current balances.	Time.	Proportion loaned locally.	Proportion bearing interest.*		Savings.	Current balances.	Time.	Is single-name paper used.	Is guaranteed paper required.	Usual length of time paper.	Rates. For average period.	Rates. For longer period.	Rates on checks, drafts, bills, etc.	Are sections 93 and 94 of bank act availed of.

* All interest-bearing accounts are "savings" accounts except where specified as current balances.

State of ..... *Congressional District* ..... *Subdivision* { *County.* *Town.* *City.*

Population	
Character of business in territory covered by this report.	
Number and kinds of banks:	
(*a*) National	
(*b*) State	
(*c*) Trust Companies	
(*d*) Savings	
(*e*) Private	
DEPOSITS:	
Interest paid on deposits—(*a*) Demand	
(*b*) Time	
Do banks make any charge for handling accounts?	
(1) Nature of charges and amount	
(2) Charges for collection and exchange	
DISCOUNTS:	
Usual length of time of paper	
Rates of discount for average period	
Rates of discount for longer periods	

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OVERDRAFTS:	
Are overdrafts permitted?	
If so, how secured?	
Rate of interest upon overdrafts	
LOANS:	
Average period	
Rates of interest for average period	
Rates of interest for longer periods	
What institutions loan upon real estate:	
Usual character of property	
Usual length of time	
Usual percentage advanced	
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General trend of interest rates in recent years	
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(Signature) .....

M. C.

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M. C.

Financial Questions--Money Juggling.

Of course there may be--as lately seems to have been the case--a contraction of the money by hoarding, either from fright or for sinister ends; and so long as the hoarding continues, the result is the same as that which obtains when the currency is tinkered with and contracted by the "safe and sane" law-makers. But it is evident that--in whichever way the money gets contracted--the greater the extent of the prior inflation, the greater may be the extent of the contraction and the more disastrous the results.

12th--Is the banking system of our country "safe, sound and sane," and for the benefit of the whole people; or is it upheld and fostered by our government officials for the sole benefit of bankers? While the bankers, through this banking system, have--at the expense of the people--been piling up billions of dollars, who else, through the same system, has been piling up so much as one single dollar?

13th--About how far short does the money question come from equaling in ~~importance~~ importance all other economic questions combined?

14th--In Lincoln's day the "interests" were able to fool a part of the people all the time, and all the people a part of the time. At the present day are not the lying, deceiving, plucking and fleecing "interests" (owning, as they do, nearly all the preachers, printers, and other so-called teachers) fooling nearly all the people nearly all the time?

15th--What better remedy can be offered for the present rotten conditions, than to elect and appoint persons to office who will run things, and see that things are run, not in the interest of the plutocrats but in the interest of the whole people? This remedy never will be adopted, however, while a majority of the voters retain any of the rot long stuffed into them by grafting politicians.

16th--Here is a sample of the rot we get on economic questions from the mouthpieces of the plutocrats: "Our country has in circulation, at the present time, more money than it ever had before, per capita; more than any other country has or ever had; and the beauty of it all is, that every dollar is worth a hundred cents!--and every hundred cents is worth a dollar!!" Another argument (?) handed out for the nourishment of the sapheads is, that "in foreign countries our money will buy from two to five times as much as it will buy in our own country!"

What must be the mental caliber of men who gulp down such twaddle, and think themselves fed with "safe and sane" politico-economic science?

Miles Sidlinger.

Concord, N. H., November 1, 1908.

Plan enc.

A System of Currency, founded on the Natural Law of Demand and Supply, and not on Arbitrary Legislation.

-----oOo-----

W H E R E A S, all the coin and currency used to-day, as a matter of fact, is received as satisfactory, because guaranteed by the United States Government, directly or indirectly; and,

W H E R E A S, safety is best secured by methods that are simple and easily understood; and,

W H E R E A S, the demand is now imperative for a change from the present intricate system of currency to one that is simply and finally settled. Therefore, the following is suggested:

F i r s t

There should be only three kinds of currency:

(a) Gold, or certificates of deposit of said gold.
(b) Silver " " " " " " silver.
(c) Bond Certificates, secured by a deposit of United States bonds.

In each and every case gold, silver or bonds should be on deposit in the United States Treasury, dollar for dollar, for all certificates issued; said deposits to be guaranteed by the United States Government.

The silver certificates should be from one (1) dollar to five (5) dollars inclusive, and all issues whatever, from ten (10) cents to five (5) dollars should be reserved for silver only.

The bond certificates should be for ten, twenty and fifty dollars.

The gold certificates should be for one hundred (100) dollars and upwards.

All these certificates should be received as legal tender for all payments to the United States Government, or individuals, each the same as the other.

S e c o n d.

AND, WHEREAS, the demand for currency is perpetual, therefore, the bonds that guarantee certificates should also be perpetual, i.e., like English consols, the principal should never be paid, but only the interest, and that in gold. These bonds should draw two (2) per cent. interest per annum and should be known as "Currency Bonds", and used only for currency protection and not for public sale. When certificates, based on these currency bonds, are in circulation, the bonds that guarantee such currency will be in the United States Treasury, and will belong to the United States Government, and will, therefore, not call for the payment of any interest. The charge for interest on these bonds will, necessarily, be very small. These bond certificates will form a quickly elastic currency that can be converted from certificates to "Currency Bonds", or vice versa, on short notice.

N o t e: The United States Government should not pay a second party, i.e., Banks, a large premium for issuing currency, when it guarantees in effect all the

currency thus issued, and can itself pay out said notes, or exchange them for notes to be retired.

When currency is a drug, Bankers, Trust Companies and others will deposit bond certificates in the United States Treasury, and receive two (2) per cent. bonds (or, if preferred, demand certificates paying 2% interest) in exchange for the same; and then, when circulation is needed to move crops, etc., currency bonds or demand certificates will be exchanged at the United States Treasury for "Bond Certificates", all done at any time and in a few minutes.

These exchanges will be regulated by the demand for currency, chiefly through the medium of experienced business men.

T h i r d.

AND, WHEREAS, safety and economy demand the retiring of all green-back, treasury and National Bank Notes; therefore, the aforesaid bondvcertificates should be issued to retire said notes or currency. Inasmuch as the United States Government now holds, as Trustee, ninety (90) per cent. of all the bonds held as collateral for National Bank notes (having paid for said ninety (90) per cent. by said National Bank notes), it follows, that the said collateral bonds will be replaced by "2% Perpetual Bonds", that will seldom call for any interest, as explained above. Bond Certificates will better satisfy the people, and, at the same time, remove forever a dangerous element in our national currency (i.e., green-backs and unsecured treasury notes), for 2% Perpetual Bonds held in the United States Treasury, dollar for dollar, will

absolutely command confidence.

Fourth.

Under the above plan, the three forms of money - gold, silver and bond certificates will soon furnish all the currency needed, and the natural law of Demand and Supply will regulate the amount of each kind of currency.

The United States can do as defined above, without consultation with any other nation, and can do it at any time. The Great Republic will thus again "enlighten the World" in a matter of supreme importance. In fact, the only monetary questions left for international agreement will be the purity of gold coins, and the unit of value in order that all the world may use the same currency.

John Torrey,
#10 Winthrop Terrace,
East Orange, N. J.

A System of Currency, founded on the Natural Law of Demand and Supply, and not on Abritrary Legislation.

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John Torrey,
#10 Winthrop Terrace,
East Orange, N. J.

TREASURER'S OFFICE.—Form 5702.
ACCOUNTS OF I. AND R.—Ed. Dec. 1-10—100.

MONTHLY STATEMENT.

PAPER CURRENCY of each Denomination Outstanding November 30, 1910.

Denomination.	United States Notes.	Treasury Notes of 1890.	National Bank Notes.	Gold Certificates.	Silver Certificates.	TOTAL.
One dollar	$1,840,650	$390,857	$343,610		$148,254,358	$150,829,475
Two dollars	1,386,028	257,048	164,320		62,115,534	63,922,930
Five dollars	138,281,495	804,005	133,091,380		240,563,347	512,740,227
Ten dollars	130,491,016	1,136,790	322,849,810	$190,851,410	21,723,361	667,052,387
Twenty dollars	18,440,502	563,150	219,917,740	241,792,404	6,877,570	487,591,366
Fifty dollars	2,178,625	16,850	16,384,950	48,849,355	8,021,110	75,450,890
One hundred dollars	6,230,200	203,300	37,160,700	73,824,500	583,220	118,001,920
Five hundred dollars	6,090,500		90,000	14,759,500	25,500	20,965,500
One thousand dollars	42,732,000	122,000	23,000	65,552,500	26,000	108,455,500
Five thousand dollars				82,905,000		82,905,000
Ten thousand dollars	10,000			191,820,000		191,830,000
Fractional parts			47,978			47,978
TOTAL	347,681,016	3,494,000	730,073,488	910,354,669	488,190,000	2,479,793,173
Unknown, destroyed	1,000,000		*3,217,655			4,217,655
NET	346,681,016	3,494,000	726,855,833	910,354,669	488,190,000	2,475,575,518

727.492.632
1230.094.643
32.197.920

* Redeemed but not assorted by denomination.

Treasury Department,

OFFICE OF THE TREASURER OF THE UNITED STATES.

EXPLANATORY NOTES

1st. The people of the United States will never consent to the use of paper money based on "assets" only. The Anti-bellum experience of State Bank money answers this proposition finally, for then money was based on bank assets plus State Bonds, and was a failure. The fearful Morse Bank experience proves Bank Assets to be unfit for a circulation security.

2nd. If National Banks continue to issue currency, it must be based on United States Bonds as collateral security. But this the United States Government itself can do, and by holding the collateral in its own Treasury, can save at least three-fourths of interest due on said bonds.

3rd. The experience of other and older governments cannot now be wisely used, because electricity and steam have changed the very foundations of thought and experience - "Old things have passed away, and all things have become new". This country is too large for any bank or banks to supply its currency. The value of a National currency is assured, and no other can ever take its place.

4th. Gold certificates will be chiefly used for bank and Government reserves and will, therefore, not circulate actively. Hence, the minimum denomination should be One hundred dollars. The active money will, naturally, be Bond and Silver certificates, which will constantly pass from one person or party to another, so that but little will be presented for redemption. The fact that

wages are now paid generally in cash, and rarely in "store pay", confirms this proposition. The same is true of retail purchases, which are sttled in cash, montly at the latest. These two facts will very largely increase the issue of silver certificates of from One Dollar to Five Dollars, inclusive.

5th. The United States Government never has been, and never will be, called upon to redeem silver certificates, for they are like the Irishman's flea, "too lively to catch".

6th. The law of Demand and Supply, acting as it will through banks and other monied institutions, must surely determine the relative proportions of gold, silver and bond certificates; and during the busy seasons all the Government currency will be in active demand. It follows, therefore, that, instead of paying two per cent per annum on bonds securing National bank notes, there will be paid out less than one-fourth of said amount if the Government issues all the currency, and itself holds the two per cent. bonds as has been suggested. In fact, the National Banks propose to use the Government credit to secure their issues of notes, and coolly demand a bonus of two per cent. per annum for so doing. If such a proposition were made to any business man, the answer would be, "Go to the Devil".

7th. Many of the large and wealthy National Banks issue little, if any, currency. They will not issue any if they must hold a supply of gold constantly

on hand for redemption of their issue of notes - simply because it will not pay; nor will they assume obligations for weak banks.

8th. The conclusion is logical and final, that if the United States Government only can issue gold and silver coins and certificates of the same, it also should issue all the money used, especially as the United States Constitution expressly gives to the United States Government the sole control of "commerce between states" and this surely covers that which represents values and transportation, i.e., money. This conclusion, although inferential, is businesslike, for currency represents all values, and, therefore, should be issued by the power that represents, protects and controls all parties and all interests, i.e., the National Government.

9th. Each certificate should be redeemed in kind; i.e., Gold certificates in Gold; silver certificates in silver; and Bond certificates in currency bonds. Silver coin should be exchanged for gold coin; and Bond Certificates for gold coin, at the option of the holder.

10th. It is charged by some, that "the Government is trying to go into the banking business". The converse is true, for banks are trying to go into the "Government business", and would control as much of the currency as possible.

11th. The United States Governmant should be authorized to issue special Bond Certificates of large denominations to be known as "Emergency Currency"; and the Secretary of the Treasury should be authorized to

approve all securities to be accepted for such emergency loans. The maximum amount of emergency certificates need not exceed $500,000,000. These advances by the United States Treasury should be made to the Clearing Houses of the country, as they represent combinations of Bank Capital and will amply secure such loans, and surely the Banks of the country best understand financial necessities. Issuing of currency will thus be separated from the natural business of banking, i.e., the receiving of deposits and loaning money. After the separation is made, the safety of banking, like ordinary mercantile business, will rest on the integrity and intelligence of managers, and Statute Laws, whether National or State.

CHAPTER 11.

DISCOUNT, DEPOSIT AND ISSUE.

A Bank may be descirbed, in general terms, as an establishment which makes to individuals such advances of money or other means of payment as may be required and safely made, and to which individuals entrust money or the means of payment, when not required by them for use. In other words, the business of a bank is said to be to lend or discount, and to hold deposits. With these two functions may be combined a third, that of issuing bank-notes, or the bank's own promises to pay, for use in general circulation as a substitute for money.

The object of the present chapter is to inquire into the real nature of the operations, thus roughly classified and usually described by the terms Discount, Deposit and Issue; and for his purpose we shall analyze the trans actions attending the ordinary and simple case of a loan made by a bank to one of its customers.

The borrower who procures a loan from abank does so in order to provide himself with the means, eith r of making some purchase, or of paying some debt. He seeks, therefore, to obtain not necessarily money, but a certain amount of purchasing power in available form, or of whatever may be the usual medium of payment, measured in terms of money. If we suppose him to be a merchant, buying and selling goods upon credit in the tregular course of business, he is likely to have at any given time to have in his hands a greater or less number of notes not yet due, signed by the persons to whom he has heretofore made sales; and it is in the form of a loan, made upon the security of one or more of these notes and giving him immediate command of the amount which will become due upon them in the fut ure,

that he is likely to prucure what he needs from the bank. This loan may be supposed to take the form of what is termed a discount; in which case, in exchange for the note "discounted" the borrower is entitled to receive from the bank the amount promised in the note, less the interest on that amount computed at an agreed rate for the time which the note has still to run. The discounted note becomes the property of the bank, to which the promisor is henceforward bound to make payment at maturity; and this payment when made obciously restores to the bank the amount advanced by it in exchange for the note, together with the interest which was the inducement for making the exchange.

It is now clear, however, that the operation which we have described, although spoken of as a loan by the bank to a borrower, is in fact something more than a loan. The note when given was evidence that its holder owned the right to receive at a fixed date a certain sum of money, and this right the so-called borrower has ceded to the bank. Passing over for the present all question as to what he has received in exchange, his cession of property by sale is as distinct and complete as if he had sold a bale of cotton to another merchant, instead of selling to a bank his right to receive money in the future. It is true that in parting with the note he probably endorsed it, and thus bound himself to make good its amount in case the promisor should fail to do so; but he might equally bind himself by some warranty given to the purchaser, when selling any other description of property. The note has ceased to be his, and now takes its place amog the investments or securities of the bank, although custom may lead to its classification as a "loan or discount"

The operation which we have here presentee in its simplest form may easily change its shape according to circumstances. Thus,

instead of offering for "discount" the notes of his costomers, our merchant may offer his own note for the sum which he wishes to obtain, and attach to it, as security for its payment at maturity, one or more of the notes of his customers. In this case the principal note, his own, becomes the property of the bank, the right to receive from him at its maturity the sum promised in it being the real object of sale; and the attached notes, originally received by him for merchandise and now pledged to the bank as collateral security for the pefformance of his contract, continue to be his property, subject to the right of the bank to be indemnified therefrom in case of his failure. So too, he may offer his own note, securing it by the pledge of bonds, stocks, or other valuable property, the ownership of which he does not part with, while at the same time he sells as effectually as in the first case the right to receive from him a certain sum at a fixed date. Or, instead of the note of hand which we have supposed to be used, some other kind of negotiable paper, as, for example, the bill of exchange, may be preferred by local usage as the evidence of commercial obligation. Still, whatever the form of the transaction by which a bank may make "advances or "loans", it will be found that in every case a right to demand and receive a certain sum of money has been acquired by the bank for a consideration.

We now have to consider what it is that the bank gives in exchange for the right to demand and receive money at a future time, acquired by it under these circumstances. To return to our first and simplest case of so-called discount; the proceeds of the discounted note, or its nominal amount less the interest for the time for which it is to run, are in the first instance placed to the credit of the merchant, to be drawn out by him at once or at different times, as con-

venience or necessity may dictate. In thus crediting him with the proceeds, the bank plainly gives to him simply the right to call upon it at pleasure for that sum of money. Whether this right is exercised at once by demanding and receiving the money, or whether the exercise of it is postponed as regards the whole or a part of the amount, in either case the right to demand, or to "draw" is the equivalent received by the merchant in exchange for the right, sold by him to the bank, of which the note discountd was the evidence. The sum which he is thus ectitled to call for is said, so long as it stands to his credit, to be deposited in the bank, or, to be a deposit stadning in his name; so that the transaction is seen to be, both in form and in substance, an exchange of rights. The same thing is true also in other cases of so-called "loans" or discounts"; whatever form they take and whatever the collateral security held by the bank may be, the operation is after all essentially an e xchange of rights, whereby the bank acquires the right to receive money, or the legal tender of the country, at some future time, and the individual acquires the right to call for money or legal tender at pleasure. The result is to give to him that immediate command of purchasing ower or of the usual medium of payment, which, as we have said, is the real object sought by him; but at the outset this result is usually secured and the relations of the bank and the "borrower2 are settled, by the sale of one right for another, and without the intervention of money or any of its tangivle substitutes.

But a deposit may owe its origin to a different operation from that which has just been examined. It happens every day that the merchant, having cash on hand , prefers not to old it in his possession until it is required for use, but to "deposit" it with the bank where

he usually transacts his business, until he needs to use it. In this case, when he makes his deposit, the property in the money or substitutes for money actually handed in by him passes to the bank, and he receives in exchange the right to demand and receive at pleasrue, not that which he has paid in, but an equivalent amount. Here then, as in the former case, the transaction is in effect a sale, although the use of the word "deposit"seems at first to suggest an entirely different idea of its character.

The other leading operations of banks, when analyxed, can also be resolved into cases of the exchange of rights against rights, or of rights agsinst money. As, for example, when the bank, for the convenien ce of its customer or depositor, undertakes to collect a note due to him by some third party, in which case the amount paid to the bank in money by the promisor is passed to the credit of the promisee as a deposit. Here the bank has received money for the account of the depositor, and has given to him in exchange a right to draw at pleasure for the amount or any part thereof, the property in the money actually paid having passed absolutely to the bank in exchange for the right to draw. And again, when the bank buys from a merchant a bill of exchange, or when it sells a bill of exchange drawn by itself on some correspondent, it effects an exchange of money against a right, or of a right against money, strongly resembling those already considered. And so, too, if in any of these cases any substitute or equivalent for money is used, instead of money itself, the transaction is still an exchange of a right on the one side and some menns of payment on theother, the latter becoming the property of the bank.

We have thus far, for the sake of simplicity, spoken only of the "rights to receive"

money, bought by the bank in one class of cases, and sold by it in another. But where there is a right to receive on the part of a creditor, there is a corresponding duty to pay on the part of the debtor; and these rights or credits, when viewed from the other side, are, therefore, debts or liabilities. The deposit which is credited in making a loan is accordingly a liability ot pay on demand, assumed by the bank in exchange for a security promising a payment to the bank in the future; and the deposit credited upon the receipt of cash from the depositor is a similar liability, assumed in exchange for so much money or so much of its substitutes. In short, as any addition to the loans of a bank is an increase of its investments or resources, so any addition to its deposits is an increase of its debts or liabilities.

A little consideration of the manner in which notes are issued by banks will show that in the bank-note we have only another form of liability, diffeing in appearance, but not in substance, from the liability for deposits. The bank-note is the duly certified promise of the bank to pay on demand, adapted for circulation as a convenient substitute for the money which it promises. It is issued by the bank, and can be issued only to such persons as are willing to receive the enagagment of the bank in this form instead of receiving money, or instead of being credited with a deposit. Thus the so-called borrower, who in the first instance has been credited with a deposit and to whom the bank is therefore to this extent liable, may prefer to draw the amount in notes of the bank and to use them in making his payments. But, in this case, it is plain that the liability of the bank is changed only in form; it is still a liability to pay a certain sum of money on demand. And so if the depositor pays in money and receives

notes or receives notes in satisfaction of a demand of any kind against the bank, he, in fact, foregoes the use of the money itself and consents to receive in its stead a promise to pay upom demand, and to receive the evidence of that promise in the form of notes. The question, in which form he shall hold his right of demand against the bank, is one to be decided by the nature of his business or by his present convenience, but plainly the decision of this question in no way alters the relation between himself or any transferee of his right, on the one hand, and the bank on the other. The notes issued by a bank are thus a liability distinguishable in form only from its liability for deposits, and the functions of deposit and issue, spoken of at the opening of this chapter, instead of being distinct, as is often assumed, are one in substance.

In the operations which have now been considered the subject-matter involved is in every case either money or contracts for the payment therefor. No form of dealing in merchandise or real property comes properly within the privice of banking. And, inasmuch as a contract for the payment of money may be viewed either as a credit or as a debt, according as it is looked at from the one side or the other, banking is sometimes described as the business of dealing in credits and sometimes as that of dealing in debts. For the transaction of this business in the modern world both of the functions "discount" and "deposit" are indispensable. In order to be a bank, at the present day, an establishment must carry on the purchase of rights to demand money in the future, or securities; and it must also use in some form or other its own engagements for the payment of money upon demand. If it practises the former only, it is simply an investor of its lwn money, as any private individual may be; if it practises the latter only, it may

indeed be said to be a bank of the obsolete type of the Bank of Amsterdam, but it then plainly ceases to answer one of the chief purposes of a modern bank, viz, that of enabling individuals to convert into immediate purchasing power such debts as may be due to them in the future. The use of the third function, however, that of issuing notes, is not indespensible to the existence of a bank, for, as has been shown, issue is but a modification of deposit, adopted for convenience and not for necessity. There are conditions under which the liability of the bank in the form of notes is desired for use, and there are also conditions under which the liability in the form of deposits better serves the convenience of individuals or of the community. Many banks in every country, therefore, carry on their business successfully without making any issue of notes whatever.

It must be added that incorporation by law is not a necessary condition of the existence of a bank. Discount and deposit, and if no legal prohibition exists, issue also, may be carried on by individuals and firms as well as by incorporated companies. It is ttue that in discussions of banking it is usual to give almost exclusive attention to incorporated banks, partly because they are usually more important and conspicous, and partly because their affaris are im some degree open to official imspection, so that the nature of their business is not easily concealed, where as the transactions of private banks are usually known only to the persons concerned. It is none the less true, however, that in the economic effects of their transactions the two kinds of banks do not differ, and thet neither can be neglected in an examination of the economic problems presented by any community in which it is found to exist.

CHAPTER 111.

BANKING OPERATIONS AND ACCOUNTS.

Having thus taken a general view of the nature of banking operations, it is now necessary that we should enter upon the consideration of some of their details.

For a bank, as well as for any other considerable establishment, it is requisite that a capital should be provided at the outset. There cen be no constant proportion between the amount of this capital and the extent of the business which may be built up by its means. We can only lay down the very ganerallrule, that the larger ths business that can be carried on with safety with a given capital, the larger will be the field from which profits can be earned, and the higher the proportion which the profits will bear to the original investment; but the point at which the extension of the business passes the line of safety, must be determined by the circumstances of the particular bank, by the kind of business carried on by those dealing with it, and by the condition of the community in which iy is established. The attempt has sometimes been made to limit by law for incorporated banks the proportion of transactions for a given amount of capital, but no such provision has any foundation except a conjectured average, too rough to be of service in any individual case. In this respect, as in so many others, the judgment of the persons most interested, acting under the law of self preservation, is far more trustworthy than any legilative decision.

The capital thus to be provided at the outset is, of course, in the case of a private bank, the contribution of the partmers, as in any other undertaking. In the case of an incorporated bank the capital is divided by law into equal shares or unites of fixed amount; as e. g., under the law of the United States, a capital of $100,000 is divided into 1,000 shares of $

$100 each; and these shares are contributed by the individual shareholders, in such proportaion as they please. The law may as a matter of public policy limit the proportion of capital stock to be owned by any one individual firm, and it may also limit the liability of shareholders for debts due by the bank, in case of its failure; but in general, in the absence of special provisions to the contrary, the powers, rights, and liabilities of every shareholder are now usually determindd by the number of shares of the stock contributed or owned by him. In the election of dircetors and of other officers, for the immediate management of the business, every share entitles its owner to cast one vte; the dividend of profit is allotted in the ratio of shares owned, and controbutions to meet losses, of required by law, are called for in the same r tio.

The capital subscribed by the intending shareholders must necessarily be paid in in money or in the legal tadder of the country. It is not necessary that the whole should be paid in at the outset, but the payment of the whole usually precedes the full establishment of the business; and, in ca e of incorporated banks, the law often requires that some definte proportion, as e. g., one hald, shall be paid in before the opening of business, in order to insure good faith and a solid basis for the business undertaken.

If, now, we undertake to represent by a brief statement of account the condition of a bank having a capital of $100,000 paid in, in specie, on the moring when it opens its doors for business, we shall have the following.

Liabilities		Resources.	
Capital----------	$100,000	Specie----------	$100,000

It may at first sight appear to be a contradiction in terms, that the capital should be set down as a liability and not as a resource, but

we must here distinguish between the financial liability for what has been received from the shareholders and the right of property in the thing received. The bank has become accountable to its shareholders for the amounts paid in by them respectively, but the money actually paid in has become the property of the bank; or, in the language of accountants, the bank has become liable for itscapital, and the money in hand is for the present its resource for meeting this liability, or for explaining the disposition made of what has been received.

As the bank requires banking-rooms and a certain supply of furniture and fixtures for the convenient transaction of its business, we may suppose it ot expend $5000 of its cash in providing the equipment. The property thus procured, with the remaining $95,000 in cash, will then be the aggregate resources by means of which the capital is to be accounted for, and the account will stand as follows:

Liabilities.		Resources.	
Capital	$100,000	Real Estate, furniture, fixtures, etc.,	$5,000
		Specie	95,000
	$100,000		100,000

The bank however, cannot answer the purposes of its existence, or earn a profit for its shareholders, until its idle cash is converted into some kind of interest-bearing security. Nor is it enough that a permanent investment of the ordinary kind should be made, as by the simple exchange of the cash for government bonds or railway securities. It is the chief business of the bank to afford to purchasers and dealers the means of using, by anticipation, funds which are receivable by them in the future, and this implies both the purchase of private securities or "business paper" to a considerable extnet, and aslo frequent change and renewql of purchases. Moreover, while the private capitalist finds it advantageous to make simple investments of a permanent

sort, this would plainly be insufficient for the shareholders of a bank, who have to pay from its profits some serious expenses of management, and need therefore, a larger field for earnings than the ordinary returns on their capital alone. The bank being obliged then to extend its operations beyond the amount of its capital, is compelled for this purpose to make use of its credit. In fact, it is only such a use of its credit that the establishment becomes in reality a bank.

Most of the conditions of the case are best answered by the "discount" of commercial paper as aboce desvribed. The time for which such obligations have to run varies with the custom of thr trade which give rise to them, but is in most cases short enough to imply early repayment to the bank. And even where custom gives the paper longer time, if the paper itself is used only as a collateral security, the note which is the actual object of negotiation with the bank is by preference usually made not to exceed four months. It is easy then to arrange the purchases of paper with reference to the times of maturity, so as to provide for a steady succession of payments to the bank, and thus facilitate the reduction of the business, if necessary, or its direction into new channels, as prudence or good policy may require. The certainty of prompt payment at maturity, needed for this end, is presented in a high degree by the paper created in the ordinary course of business. Independently of the collateral security which the bank may hold, the written promise of a merchant or manufacturer to pay on a fixed day is an engagement which involves the credit of the promisor so far that failure is an act both of legal insolvency, and of commercial dishonor. Selected with judgment, then, such paper is not only the investment which most completely answers the purposes of the bank's existence, but is probably as safe as any investment which chould

be found.

It may easily happen, however, that the bank may find it desirable to invest a part of its resources in some other form, either because good commercial paper cannot be procured in sufficient amount, or as a matter of policy. In this case it will purchase such other securities as offer not only complete safety of investment, but the possihility of easy conversion into cash in case of need. In this country United States bonds, and many descriptions of State, municipal, and corporation bonds, might answer this purpose. Stocks would more rarely answer it, being more liable to the fluctuations in price caused by misfortune or the ordinary vicissitudes of business. Mortgages of real estate, however, would not be admissible, except when held as a securith, collateral to some other whichis more easily convertible, for even when the mortgaged propety is so ample and stable as to insure the goodness of the mortgage, the conversion of the mortgage into cash by sale is not always easy, and is especialy difficult at those times when the bank nost needs to have all its resources at command. Indeed, the danger to be apprehended from the locking up of resou rces, in securities which may be solid but are not easily realized, is so great, that it has been said to be the first dury of the banker to learn to distinguish between a note and a mortgage, his business lying with the former. Real estate, of scourse, ca note be regarded as a banking security, however desirable it may be as an investment for individuals, for it not only subject to great fluctuations in value, but is at times unsalable; and the law of the United States therefore wisely prohibits investments in it by the national banks, e xcept so far as is necessary for the accomodation of their business. The results of the process of investment in commercial pa-

per and in other securities are best understood when we trace the effect

An Outline Plan for the Reformation
of the
UNITED STATES CURRENCY
by
Frank E Deihl

I. The Government; what it should do:-

(a) Legislate so as to make possible the doing of all acts herein called for.

(b) Continue, as at present, the issuance of gold certificates; but in denominations ranging from one dollar up, according to the demands of trade. Gold certificates shall be a legal tender.

(c) Discontinue absolutely the coinage of silver dollars, but all other coinage is to be continued as at present.

(d) Provide for the redemption and the retirement of all silver certificates as follows: As new silver is needed to coin additional subsidiary coins, take a sufficient number of silver dollars, now on deposit to secure silver certificates, and retire an equivalent amount of the silver certificates. The advantages to be derived from the retirement of said certificates are obvious. The retirement of said certificates will not result in a decrease in circulation because National Bank Currency will immediately be issued in their stead.

(e) Not increase the United States notes and the Treasury notes beyond the present amount, and the reserve of $150,000,000 in gold for the redemption of these notes shall be maintained. The said notes shall be issued in small denominations; and, because they are so issued, they will be kept in general circulation. Because of the general circulation of said notes, they will tend to gradually disappear, having been lost or destroyed; and ultimately there may come a time when there will be a dollar of reserve for a dollar of circulation. When this latter time shall have arrived, the government might retire said notes and be rid of an onerous banking duty. The process above described will not result in a decrease of circulation for the same reason as given under (d).

(f) Cause the National banks to retire their present circulation, and in its stead allow them to issue a new "National Bank Currency", which shall be easily distinguishable from United States notes; and the said "National Bank Currency" shall not be a legal tender, except for debts due to the bank of issue. Said "National Bank Currency" shall be a first lien on the assets of an insolvent bank.

(g) Maintain a strick supervision and regulation of all National banks.

(h) Be the custodian of a reserve fund of five per centum of the capital stock of National banks. Said reserve fund is to provide for the immediate redemption of the notes of failed banks.

II. The National Banks; what they should do:-

(a) If it is still considered advisable that United States bonds shall have an artificial market, then a small per centum of the capital stock of each bank shall be invested in United States bonds; and said bonds shall be deposited with the Government.

(b) All banks shall retire their notes, which are at present in circulation, but they may issue "National Bank Currency" to an amount equal to their capital stock. All banks shall pay to the Government a tax of two per centum of the amount of their "National Bank Currency" in circulation.

(c) Pay to the Government five per centum of their capital stock to create a reserve fund as explained in section I under (h).

(d) Maintain a sufficient reserve against their liabilities, including their "National Bank Currency" in circulation, in gold coin or gold certificates.

(e) Maintain agencies for the redemption of the "National Bank Currency" at many and convenient cities throughout the country. Some large trust company in each redemption city might be made the redemption agency, receiving as compensation therefor a certain per centum of the currency redeemed.

1

Depositors

Circular letters were mailed to Savings Banks requesting information as to the number of depositors etc., as of April 28th 1909 and to all other banks requesting the same information for June 30th 1909.

In all 22491 banks. Of this number 18239 banks furnished this supplemental report.

The summary of the reports is as follows.

Savings Deposits[c]	$5,568,789,701.67 –	Savings Depositors	14,589,299
Other Deposits[a]	7,870,302,884.24 –	Other Depositors	10,778,970
Total	$13,439,092,585.91	[b]	25,368,269

a Exclusive of Bank Deposits.
b This represents the number of deposit accounts
c Includes Certificates of deposit.

C. A. Stewart

Oct 16. 1909

ADDRESS REPLY TO
"COMPTROLLER OF THE CURRENCY"

TREASURY DEPARTMENT

WASHINGTON

July 1, 1909.

The Cashier,

Dear Sir:

In connection with the statement submitted by you in compliance with the request made by the National Monetary Commission for a detailed statement of the amount of the resources and liabilities of your bank on April 28, 1909, information is desired in respect to the number of depositors in savings banks and the rate and amount of interest paid to depositors in such banks.

As it is the desire of the Commission to publish this information in their report to Congress, it will be esteemed a favor if you will advise this office of:

1. The amount of deposits in your bank on April 28, 1909, - - - - - Amount, $.....
2. Number of depositors on that date, - No. .....
3. Average rate of interest paid to depositors during the past year, - - - Per cent, ...
4. Aggregate amount of interest paid during past year, - - - - - Amount, $.....

The information submitted will be regarded as confidential, and used only in connection with like returns from other savings banks in your State to ascertain the aggregate number of depositors, average account, and average rate and amount of interest paid during the past year.

Please send your statement, or this communication with the information appended, by return mail if possible, under cover of the inclosed addressed envelope, which does not require postage.

Yours, very respectfully,

Lawrence O. Murray

Comptroller of the Currency.

2—5530

ADDRESS REPLY TO
"COMPTROLLER OF THE CURRENCY"

TREASURY DEPARTMENT

WASHINGTON

July 1, 1909.

The Cashier,

Dear Sir:

In connection with the statement submitted by you in compliance with the request made by the National Monetary Commission for a detailed statement of the amount of the resources and liabilities of your bank on April 28, 1909, information is desired in respect to the number of depositors in savings banks and the rate and amount of interest paid to depositors in such banks.

As it is the desire of the Commission to publish this information in their report to Congress, it will be esteemed a favor if you will advise this office of:

1. The amount of deposits in your bank on April 28, 1909, - - - - - Amount, $.....
2. Number of depositors on that date, - No. .....
3. Average rate of interest paid to depositors during the past year, - - - Per cent, ...
4. Aggregate amount of interest paid during past year, - - - - - Amount, $.....

The information submitted will be regarded as confidential, and used only in connection with like returns from other savings banks in your State to ascertain the aggregate number of depositors, average account, and average rate and amount of interest paid during the past year.

Please send your statement, or this communication with the information appended, by return mail if possible, under cover of the inclosed addressed envelope, which does not require postage.

Yours, very respectfully,

Lawrence O. Murray

Comptroller of the Currency.

2—5530

Savings Depositors

Savings deposits	Savings depositors
5,568,789,701.67	114,589,999

TREASURY DEPARTMENT

WASHINGTON

ADDRESS REPLY TO
"COMPTROLLER OF THE CURRENCY"

JULY 22, 1909.

TO THE CASHIER.

SIR: In connection with the report submitted by you in compliance with the request made by the National Monetary Commission for a detailed statement of the resources and liabilities of your bank on April 28, 1909, information is also desired by the Commission with respect to the character of deposits, number of depositors, average rate of interest paid, and minimum amount of deposit on which interest is allowed as shown by the bank's records at the close of business on June 30, 1909.

The information submitted by you will be regarded as confidential and used only in connection with like returns from other banking institutions.

If possible, please forward your statement by return mail on the appended form under cover of the inclosed addressed envelope, which does not require postage.

Yours, very respectfully,

Lawrence O. Murray

Comptroller.

2—5575

TRUST COMPANY REPORT.

THE COMPTROLLER OF THE CURRENCY.

SIR: The information requested in your letter of July 22 is submitted herewith:

Deposits in this bank on June 30, 1909, exclusive of amounts due to other banks—

Savings deposits* ..... $.....

All other deposits .....

TOTAL .....

Minimum individual deposit on which interest is allowed .....

Depositors:

Number of savings depositors .....

Number of all other depositors, excluding banks .....

Average rate of interest paid:

On savings accounts ..... %

On all other accounts, excluding banks ..... %

.....[redacted]L BANK OF .....

.....

Cashier.

*Savings deposits may be defined as deposits (a) which may be withdrawn only on presentation of the pass book, or other similar form of receipts which permits successive deposits or withdrawals to be entered thereon; or (b) which at the option of the bank may be withdrawn only at the expiration of a stated period after notice of intention to withdraw has been given; or (c) upon which no interest is allowed until the funds have remained on deposit for at least three months.

2—5575

The operations of banking, as the system has been developed in the last two centuries, appeat at first sight to be singularly complex and difficult of comprehension. This is not due, however, to any mystery in the operations themsleves, but is the result of their multiplicity and of the varied conditions under which they take place. The wants which banks satisfy are of a simple kind, sure to arise early in the historu of any commercial or industrial community in which there is mutual confidence among men; and the satisfaction of these wants is a business easily established, in what might well be regarded as an almost primitive condition of trade. The transactions by which these wants are satisfied are, moreover, as simple as the wants themselves, and are speedily reduced to such routine as to lead Adam Smith, in a well-known passage, to rate "the banking trade" as one of the few which, in his judgment, could be brought to such uniformity of method as to be safely conducted by a joint-stock company.

The leading wants to be provided for by banks ate, first, loans upon a considerable scale, required by individuals embarking in enterprises beyond their own means; and, second, the temporary employment of money which is not required by the owner for immediate use, or at least the means of safely keeping it. Some agency for lending and some place of deposit are called for as soon as commerce begins to move in a regular course. With these may be required some system for simplfying the currency of the co munity, or for giving it an ascertained value, but this is after all a secondary matter. The primary and indespensable functions to be provided for are those of lending and of recei ving on deposit, and it is these which have given rise to modern banking.

These functions, it is clear, imply no very complex operations. They require prudence, integrith, and patience, but they have no mystery

The banker who lends, or who engages to supply cash to his customer as it may be called form n eds to be sure of the solvency of his borrower and of the goodness of the security received, and must have the evidence of the transaction made indubitable, its terms clearly fixed, and the record of it complete and exact. When he receives cash on deposit, or collects for others cash which is due and holds it until it is wanted by the owners, he must in like manner be sure that the evidence of every transaction is regular and placed beyond doubt, and that its record is précise and s stematic. And when, as an extension of his system of holding deposits, he recognizes the right of a depositor to transfer his deposit or any part of it to another person, in order to make a payment to the latter, the operation of transfer must be closely followed and the resulting changes in the banker's accounts must be made with fidelity and minute accuracy. But in no one of these cases does the actual transaction present any more difficulty of comprehension than the simple payment or receipt of money. The question of prudence,--how much and to whom it is advisable to lend, and upon what terms, how far it is safe to assume that deposits will be left undisturbed, and to what extent it is needful to be prepared for demands by depositors,-- require all the light that trained sagacity and experience can throw upon them, as do the questions relating to the conduct of business in other departments; but the essence of the transactions themselves, to which the judgment of the banker is applied, is simple.

As a natural consequence of the simplicity of the operations involved in lending and in receiving deposits, it is probable that they have been undertaken and carried on in every community by individuals

long in advance of any public establishments, and long before the chroniclersof history thought it worth while to notice phenomena of such a humble order. Private lenders established banking in Venice two centuries before the Senate opened its first public bank of deposit. Banking was in like manner practised by individuals in Amsterdam long before a special class of evils led the city to establish the famous Bank of Amsterdam. And banking of a well-defined modern type was introduce d by the London goldsmiths at least a gneration before the opening of the Bank of England. Instances of the same sort could easily be multiplied, tending to show that in other contries also banking has had its origin in the effort of individuals to supply certain rather primitive wants of an advancing communith, and that the process of satisfaction was by means of a few throoughly simple operations. Such as these leading operations were two or three centuries ago, they have cont nute to be in the midst of the changes and the enormous development of the present century.

It is probable, however, that in most modern communities the individual wants which banking undertakes to supply have ceased to be the exclusive object of attention, and that the general influence and ulterior effects of a banking system, not originally foreseen qnd long a matter of dispute have taken the leading place among the reasons for introducing such a system. The first bankers probably had little thought of affording encouragement or applying a stimulus to the industry of the co munity as a whole. When they began, however, to lend their money systematically to merchants or the producers of goods, they began to give the command of capital in the enterpirses where, for the time being, it was most called for and presumably most needed. When

they increased their loans of this sort, by means of the funds left temporarily in their care by persons depositing with the, they began to give to industry the benefit of capital which would otherwise have remained idle, or to secure the more speedy application of capital slowly seeking employment. The use of their own notes as the medium for making their loans, in a manner strictly analogous, gave to their borrowers the command of capital which the fluctuating body of noteholders might forbear to demand. And their practice of discounting the bills received by dealers from their customres tended to a rapid organization of credit, and, by giving the dealer the immediate use of that which was due to him at some time in the future, shortened the period required for "turning his money" and undertaking some fresh enterprise. It is obvious that the bankers created no new wealth by their lending and deposit holding, but it is equally plain that they directed the existing capital to the entreprises and industries most in need of support, and that they quickened the succession of commercial and industrial operations. A given amount of capital was thus made more effective, so that the result of the introduction of banking in any community was the equivalent of a considerable increase of capital, although not omplying any real increase in the first instance.

The stimulus thus applied by banking to the general commercial and industrial movement of any community, whether young or old, has long been clearly seen; and it is this effect of operations, at first undertaken simply with reference to the demands of individual convenience, that now chiefly claims attention and excites interest. This stimulus is not unattended by risk. Deposit-holding and the increase of notes are alike operations of credit. They imply, as conditions of their existence, a certain growth of mutual confidence in any community, and a certain

growth of mutual confidence in any community, and a certain degree of domestic peace; and under conditions otherwise similar, nations will differ in their resort to such operations, as the national temperament is more or lesssanguine and as tradition and habit have prepared the way, or the reverse. But to whatever extent credit is thus sued, it introduces not only the dangers of misplaced confidence, but the greater danger coming from the spirit of adventure. The tendency under the keen spur of a developed banking system to carry enterpirsed based upon credit beyond the point of safety, the infection of an entire community by the fever of speculation, are too familiar for comment, and the errors of bankers in aiding and encouraging that which they should have striven to repress or control, have at times brought the utulity of banki g itself into question.

The modern world, however, does not discard any great agency merely because its use is attended by danger. To secure a balance of gain by minimizing the risks, always recognizing their existence and their deplorable character, has been the aim of most commercial communities in dealing with banking during at east four generations. The ignorant hostility to the system itself, instead of its abuses, of which traces may sti ll be fou d in the constitutions of one or two of the United States, has generally given way to a wiser appreciation of the services rendered by banks and bankers in the develppment of a country like this.

The difficulty of properly weighing the advantages and the risks of banking has been greatly increaded by the reckless imprudence with which banks have so often managed their issues of notes, to which allusion has already been made. Such issues, although not a necessary ad-

junct of the business of lending and of deposit-holding, are a natural and, in some conditions of society, a usual adjunct. Where they are made, the issuing banks or bankers at once become responsible for an important part of the visible circulating medium of the country. Their mistakes or wrongdoing may affect a multitude of persons having no intentional or consicous share in or relation to the concerns of any bank; and may easily throw the affairsof a community into confusion. It is true, as we shall see hereafter, that the steps by which a bank issues its notes do not differ from those by which it assumes other less observed liabilities, and that its obligations in the two cases are the same in essence. Still the wide diffusion of an issue of notes and the more visible and notorious nature of the evils resulting from its mismanagement make such issues the object of extreme jealousy, and have often led to the indiscriminate condemnation of all banks. Although, therefore, the issue of notes is not one of what we have called "the primary and indispensable functions" of banking, it is a function which fills a large space in most discussions of banking theory, as well as in the history of the great banking systems and in legislation.

The starting point in the present exposition of the subject then must be an examination of the transactions involved in lending, deposit-holding, and note issue or circulation.