

START

**Collection Title**

The Papers  
of Nelson  
Aldrich

**Series/Volume**

DM 15, 443

**Shelf/Accession No.**

LC 77-38 (1/70)

Aldrich, Nelson Wilmarth, 1841-1915.

Papers, 1777-1930. 58 ft. (ca. 42,500 items)  
U.S. Representative and Senator from Rhode  
Island, financier, and philanthropist. Corres-  
pondence, diaries and notebooks, material relating  
to tariff rates and legislation (1880-1915) and  
the National Monetary Commission (1907-12),  
financial papers, speech file, and printed matter,  
chiefly relating to Aldrich's career as U.S.  
Senator (1881-1911). Papers also include a  
group of biographer's research materials con-  
taining correspondence and notes of Nathaniel W.

(Continued on next card)

Aldrich, Nelson Wilmarth, 1841-1915. (Card 2)

Stephenson and Jeannette P. Nichols, and some  
diaries and engagement books kept by Aldrich's  
wife, Abby Chapman Aldrich. Correspondents  
include Joshua M. Addeman, Edward B. Aldrich,  
William B. Allison, Abram Piatt Andrew, Henry B.  
Anthony, George E. Barnard, Jr., Robert W.  
Bonyng, Jonathan Bourne, Jr., Charles R. Brayton,  
Theodore E. Burton, Adin B. Capron, Jonathan Chace,  
William E. Chandler, LeBaron B. Colt, Samuel P.  
Colt, Charles A. Conant, George B. Cortelyou,  
Henry P. Davison, Elisha Dyer, Jr., Henry W.

(Continued on next card)

Aldrich, Nelson Wilmarth, 1841-1915. (Card 3)

Gardner, Eugene Hale, John E. Kendrick, Philander  
C. Knox, Charles Warren Lippitt, Henry Cabot  
Lodge, Stephen B. Luce, Orville H. Platt, Aram J.  
Pothier, Theodore Roosevelt, John P. Sanborn,  
William Howard Taft, Henry M. Teller, Edward B.  
Vreeland, Paul M. Warburg, George Peabody Wetmore,  
William Whitman, and Nathan M. Wright.

Finding aid and index in the Library.

Information on literary rights available in  
the Library.

Gift of the Aldrich family, 1944; John D.

(Continued on next card)

Aldrich, Nelson Wilmarth, 1841-1915. (Card 4)

Rockefeller, Jr., 1955-56; and the Seminary of  
Our Lady of Providence (Rhode Island), 1970.

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**Collection Title** \_\_\_\_\_

Nelson W. Aldrich

**Series/Volume** \_\_\_\_\_

BOX

82

**Shelf/Accession No.** \_\_\_\_\_

LC 77-38 (1/70)

**NELSON ALDRICH**

**Monetary Commission**

**MISCELLANY**



True Coinage  
rule of silver

B 2<sup>a</sup>

(3)(a)

For any government ~~to sell~~ <sup>may</sup> ~~its~~ <sup>sell</sup> silver coin ~~it may or may hereafter~~ <sup>now have</sup> without loss

It is confidently predicted that we will not receive any bullion from foreign countries, on the theory that all ~~the~~ <sup>the</sup> ~~into is not true~~ that a government

~~when it sells~~ silver coin for the market <sup>would lose</sup> price of silver bullion ~~loses~~ the difference between the nominal value of the coin

and the sum received <sup>But this theory is not correct</sup> the value of such

or any silver coin <sup>contained in it</sup> to the government is simply at any

time the value of the bullion plus the cost of coinage. For instance if Belgium should be obliged to take from France

next January 200 millions francs of silver coin ~~if the sale~~ and should sell

~~them~~ <sup>to be coined here</sup> a broker for shipment to the U.S. at

1298 cents per ounce when its nominal value was 1333 plus one per cent for coinage not only without loss but if the coinage should fail to maintain prices and ~~they~~ should receive 93.4 per ounce the transaction would be an extremely profitable one

Given ~~with a~~ <sup>and steady demand</sup> a legitimate <sup>uses and</sup> ~~of the~~ <sup>for monetary</sup> ~~limitation of numbers~~ <sup>of the credit of the</sup> ~~may maintain a~~

a government ~~any~~ coinage ~~maintained~~ at a nominal value greatly in excess of its

metal value. This coinage in the hands of the people would be worth its nominal value but

it must evident that to the government it has no value about the price of the metal and the cost of coinage.

In illustration the U.S. has say 25. mill of sub silver ~~with~~ <sup>with</sup> a billion value of say 17 millions. It ~~by~~ <sup>by</sup> ~~press~~ <sup>press</sup> this bullion

Free Coinage

A3/2

These propositions involve vastly more than  
 the free coinage of the standard silver dollar  
 of 371 1/2 grains of pure silver.  
~~of 480 grains. If there was nothing more~~  
 was <sup>simply</sup> the proposal to limit the free coinage of 1792 ~~to 1873~~  
~~than the provision to allow the holder of~~  
 silver bullion to deposit it, any of the  
 mints of the U.S. and have it <sup>for his private account</sup> coined <sup>without</sup>  
 charge into <sup>the</sup> dollars <sup>of the father</sup>. The mischief would be  
 confined within very narrow limits  
~~It is not by any means the free~~  
 coinage of 1792 to 1873 ~~which this~~  
~~Guttenman proposed to receive~~ <sup>nothing</sup> ~~great~~  
 amount of harm could be done

The coin which the <sup>depositor</sup> ~~silver owner~~  
 would receive could not be put  
 and kept in circulation <sup>in any large amount</sup> ~~by~~  
 experience has shown <sup>conclusively</sup> that the amount  
 which can be kept out has never reached  
 one dollar per capita  
 See statement in *The Chronicle*

The most strenuous exertions.

This does not answer the purpose of our friends at all  
 and they now demand that the United States shall  
 purchase <sup>without limit as to quantity</sup> the silver of the world at 1298  
 per fine ounce a price <sup>at least</sup> 25 percent above its  
 market value and that it shall be paid for  
 in notes of the U.S. made legal tender  
 for all debts, public and private

with the purpose of increasing the amount of silver in circulation



really thought of our present Banking system it would undoubtedly completely stagger them. You can rest assured whenever the Republican party passes high protective tariff laws. That the great ~~xxxx~~ European financial powers are not sleeping. They are in the habit of taking their time, they can afford to wait for a few years in order not to attract notice and work their undermining processes successfully. We can hardly tell what troubles the people throughout our great West endured on account of severe financial manipulations in the East. The deep rooted feelings for financial legislation to give relief was successfully planted by some one and it took the combined power of this country to out vote them and the hardest kind of mental exertions. There could not exist any powerful condition for financial relief unless financial distress existed and there is one thing sure and that is, the Republican party were not interested in any undertaking to establish sentiment for the free coinage of silver. They were not loaded up and are not now with silver like the European financial interests are. It is not a question whether free silver will benefit this country or not that concerns the welfare of the people. The facts are was a knowledge known of the divided opinions that existed in this country on the free coinage of silver by the European financial interests. And the natural consequences that would follow the success of free silver on account of the divided opinions irrespective of the merits of the free coinage of silver was an underlying foreign influence trying to utilize the known divided opinions and the fatal results in case free silver succeeded. For the purpose of checking the progressive tendencies of this country which would probably threaten the

value of the enormous amount of investment in European countries. The facts are against strong reason the severe strain that every section of the country passed through undoubtedly taught the people the wisdom of having laws passed that would not aggravate the unfortunate conditions that existed. The result of the political contest being so great in favor of aggravating the unfortunate condition of the people all anyone can say is it was the most unnatural election that has ever taken place in this country. While there are people who are honest and sincere believers in free silver and are entitled to the respect of every intelligent person. They will undoubtedly need to safely guard their theories from being used for treasonable purposes in the future. If any person supposed that the leading financial men of Europe are not capable of dastardly undertakings they simply do not understand the kind of intelligence they are capable of exercising and if they were not capable of carrying out such great undertakings without being discovered they would never make any attempts at such work. The English Government never shows any concern in reference to the workings of the affairs of this country, simply because they understand that the European financial interests have a secure foundation for controlling the destiny of this country with the world. This country permits the European financial interests to have full power with our whole commercial interests with the world. The people in this country know nothing about it only what some foreign interests is disposed to make known.## The destiny of this great country is at the mercy of a class whose interests are deadly opposed to the industrial interests of this country and if it is in their power to kill the developing power



that is taking place in this country they will spare no pains to accomplish their purpose. What is the great trouble with the different nations are that instead of the European nations controlling their possessions with superior intelligence, they are using their financial power to hold the people in subjection, they have overdone matters. The world has grown so large that financial conditions that are adopted to regulate a nation to keep it in subjection that it takes too long to recover from the effects of it. England can keep India in subjection with the financial power she possesses better than she could with a great army. You can rest assured that the financial troubles that this country has had was aggravated to kill high protective tariff laws and try to control the destinies of this country with a prevalent idea in this country that we were controlling the destinies of this nation. There is very little use of the world struggling to build up the great interests of humanity if it is essential to utilize the powerful financial interests of the world to hold the different nations back in order to control their destinies. This undoubtedly is one of the troubles with European affairs to-day instead of the heads of the different Governments exercising their intelligence as it was contemplated, their intelligence is superseded by the intelligence of financial interests. The world will never realize what blessings that are possible to enjoy in this world until the Republicans who are in power have the obnoxious restriction removed that they have been compelled to endure and are permitted to exercise the intelligence that they are gifted with. The day will undoubtedly come when we must remove the power that

the financial representatives of foreign Governments have over the affairs of this nation by the Governments taking charge of these matters and using the banking facilities that this country possesses and make arrangements to have the Banks extend their financial operations all over the world under one great system that will enable the Government at any time to inform the people at a short notice the exact condition this country stands with the rest of the world. This is one of the great demands that the welfare of the country will call upon the Government to fulfil. In order to furnish to the country the necessary protection that its great interests demand. The removal of other nations of the influences of the control that the financial interests has, will show nearly two thirds of their trouble has been from this course and will place the business interests of the world where there can transact their business with safety. There would undoubtedly be an endless amount of use for silver amongst the nations as I do not think it advisable to undertake to do too much with gold, as it is not abundant. By combining the nations of the earth in settling their commercial relations with each other it will enable the use of silver largely and in order to accomplish the use of silver successfully without producing widespread disaster and failure it will be essential to unite the combined forces of the nation of the world to accomplish it successfully and lastingly. The laws that must be complied with in order to accomplish some great good to our fellow man, must be carefully traced and complied with. These matters are far from being personal. The laws of commerce will invariably assert their supremacy at times they may be held in check temporarily. If any intelligent person thinks that



Europeans does not know when to pay a dollar a bushel for wheat they are sadly mistaken. They know whether they can buy 5-1/2 cent cotton if the conditions are such as will enable them to do so. They can realize intelligent conditions from conditions they can manage successfully to secure their goods. If they had not experience in purchasing wheat when the industrial classes in this country purchasing power was great undoubtedly wheat would not now be selling at a dollar a bushel. Europeans understand these matters thoroughly and it is useless to undertake to analyze theories against facts that are unanswerable. Europeans understand that they are not forced to pay more for cotton because there is not the intelligence in the South capable of handling their product successfully. Mr. Prime stated that the statistical position of wheat was stronger during Mr. Cleveland's administration than it had been for 20 years and yet wheat never advanced materially, it kept at the low figures most all the time until the prospect of the industrial class was going to be steadily employed and Europeans have been recognizing these facts by paying the advanced prices for our products. No one in this country outside of Europeans have anything to do with the making of the price for cotton. It is the Europeans who have robbed the Southern planter of the value of their cotton. They should not try to place upon the shoulders of the people of this country what is unjust and unfair. Undoubtedly the welfare of this country was interfered with for the purpose of securing our markets for manufactured goods and crushing our prospects for extending our markets for our manufactured goods amongst other nations.

4.

pearance of consistency, in the eyes at least of one who has taken the trouble to ascertain the facts. That position is <sup>to</sup> ~~to~~ abandon gold, <sup>and</sup> ~~to~~ give up any prospect of a parity between the metals maintained by the joint action of the chief nations. <sup>This</sup> ~~which~~ means to put the United States unequivocally and entirely on the silver standard. This is from my point of view an abandonment of the greater interests involved in silver, and an acceptance of lesser interests in their place. This proposition is notoriously opposed to the wishes of the people of the United States and of their representatives. I believe that it will so remain. No one believes, so far as I am informed, that such a proposition will ever command their support. In such a state of affairs it is futile for people who desire to be advocates of silver to attempt to advance its cause by convincing themselves and convincing others more ignorant than they that their dreams are facts. They should occupy themselves in some other way. Mrs Partington's broom was no doubt a very good broom for the sweeping that is customary in a household. Her mistake was in trying to treat the ocean as if it was the dust on her floor.



In 1806, when the constitution of the Bank of France was under discussion, this evolution was so far complete that the greater proportion of revenue payments were made through the Bank of England. It is interesting therefore to consider the grounds on which Napoleon, with the English experience before him, concluded that the French bank should not undertake Treasury business. There is a graphic account of the discussions on this question between Mollat and the Emperor in Mollat's Mémoires (especially Vol. I, pp. 292-315; & Vol. II, pp. 50 &c.) It is pretty clear that the Emperor allowed himself to be persuaded by Mollat against his own convictions. The Emperor wished to see the Bank of France undertaking the custody & remittance of the revenues, & provided with branch offices throughout the country. Mollat's attitude was critical & ultra-cautious. He seems to have feared that the Emperor would have made the Bank a mere engine of State finance. Previous banks of France had been wrecked by the demands of the State; & the Bank of England itself had only narrowly escaped disaster from the same cause, more than once in its career. Logically, of course, there was no necessary connection between an Exchequer agency & advances to the State; but it would be hard to say that in practice the former might not be made a pretext for insisting upon the latter.

Mollat's account of the conflict of opinion thus arising is of almost dramatic interest. He says that the Emperor had often conversed with him about the bank he had just established "sous le titre pompeux de Banque de France". The Emperor had the highest expectations of this bank. Mollat was as bold on the subject as the most severe doctrinaire of the "Guillaumin school" could be. The Emperor asks him if he still maintains his spite against the Bank. Mollat replies by tendering him a carefully prepared paper setting forth his views. Much of this deals with points in the Charter ~~or to which he raises objections~~ to which he raises sound



Tails you lose," is its attitude towards private business. Considering how small is the chance that the State will ever make any profit on its own account, the attitude is not unwise.

The question of Exchequer methods, however, deserved attention; its importance had already been realized by the English people. Whenever a great central bank acts as an Exchequer, even if its range is only metropolitan, there must be a great economy in the use of money. This was carefully pointed out by many writers of the time. They could remember the gross abuses of the time of Charles II, when the receivers lent balances to the goldsmiths long overdue to creditors of the State, while the unhappy creditors were forced to go to these very goldsmiths, to borrow back their own money at usurious rates. Down to a much later period, large fortunes were made by revenue officials at the expense of the State. Occasionally we come across complaints which have a more modern ring. ~~Sounded~~. The large balances in the hands of receivers of the revenue are alleged to have caused a scarcity of money in the market. But as a rule, the ~~receivers~~ receivers banked or lent their money; it was their obvious interest to do so. The money was therefore not taken off the market, as is the case when public moneys are held by an independent, non-banking, Treasury. Still, if the times had there had been time for fuller consideration, the question of the relation of the Bank to the Treasury might well have received more thought. The Bank were not only willing, but anxious, to undertake Treasury business. If their suggestions had been acceptable to Parliament, great advantages of economy & accountability might have been secured from the very foundation of the Bank, which, as a matter of fact, were only completely realized by an evolution extending over more than a century & a half.

\* A writer in 1706 said that he saw an Essay upon the National Credit of England, 1706; "It has been said that they would give a Million of money for this Privilege, which P.T.O. (over)



Note cont.

has never yet been granted, but expressly prohibited (the Parliament, (excepting for a small time, *fin au extraordinary case*) though some think there are means found out, in a great measure, to evade that Prohibition." (p. 11). The ~~writer~~<sup>surmise</sup> was not far wrong.

4

with the Bank of Amsterdam, as an example of the highest kind of security, had recently "fail'd to the Ruine of many thousands of all ages and Ranks". They had been obliged to apply to Parliament in 1693 for "means of satisfying the Debts due to the Orphans by their Orphans Fund", which was then some £600,000 in default. A Bill was prepared to provide certain local dues for this purpose, & passed into law June 1694. The extremity to which the City was reduced may be judged from the fact that they paid Speaker Trevor a bribe of 1000 guineas to secure the passing of this Bill, no less a man than Sir John Houblon, afterwards first Governor of the Bank of England, being a witness to the transaction. The bribe was discovered later, & the Speaker expelled the House. The whole business left the Corporation gravely discredited.

144  
3 KM

It is not so clear why the third type of bank did not receive more consideration. This, whether under State or private management, was to be a National, rather than a London bank, & to have branches in every important town. It was argued in favour of this plan, that it would give a much more general stimulus to industry & trade; that it would tend to prevent their undue concentration in the Metropolis (Bristol was greatly concerned on this point); & that it would furnish invaluable facilities for remittance, practically doing away with internal exchange rates, then very burdensome. Numerous

\* "The poor Orphans sufferings are still fresh in Memory," says the author of Anglicæ Tutamen, in 1695.



proposals had been made for a bank of this type, most of them anonymous. Those by Daniel Beeckman, by John Cary of Bristol, the friend of Locke; & by Daniel De Toe, were distinctly able & well worked out. Most of the projectors laid stress upon the great services such a National bank might render to the Exchequer, in the collection of the revenue, & by preventing the loss sustained by the State through idle balances. Cary was more concerned for the effect on trade. "Banks, as I humbly conceive," he writes, "ought chiefly to be calculated for the use of Trade, & modeled so as may best content the Traders."

But it was otherwise decided. At this time the purely financial interest dominated. The trading & country interest was to a large extent sacrificed, & administrative facilities were not considered. It was nearly 150 years before the country had an adequate system of banks, such as might have been founded in 1694, if one or other of these proposals for National banks had been accepted. The administrative economies possible in the system of public receipts & payments were postponed to the more urgent problem of obtaining money to pay. As our author shows, the sugrafting of Exchequer business on the Bank grew up gradually, almost by accident; possibilities of this sort were not taken into <sup>account</sup> ~~consideration~~ in deciding on the form to be given to the Bank.

128

It must be admitted that the State did pretty well for itself. It derived substantial advantage from the Bank, not only in the great emergencies of William's reign, but from time to time afterwards, & notably on the occasion of Charter renewals; this too, without depriving the Bank of its private character, & its responsibility for losses. This, again, is characteristic of English methods. The State prefers to exploit private enterprise, rather than to engage in enterprise itself. "Heads I win,

It cannot be said however that the matter was altogether overlooked at the foundation of the Bank. As usually happens in times of national crisis, when the public mind is deeply stirred, the air was full of constructive schemes, & almost every conceivable form of public bank had active & able advocates. "Banks swarm everywhere," writes L'Hermitage, referring to the numerous projects in 1695. Among the various types <sup>then</sup> proposed, there are of special interest: The State Bank, owned by the State; the National Branch bank of the type of the present Banque de France; the Bank of London, or City Bank, under the management of the Corporation. The first <sup>best</sup> of these were at the time inadmissible. The credit of neither State nor ~~Corporation~~ City of London would have commanded general confidence. It is to be observed that contemporary writers always spoke of the Bank of England as resting upon Parliamentary, not State, security; that is, upon an income definitely secured by the ~~House of Commons~~ Parliament upon the yield of particular taxes. The Crown might have had more to say in regard to a State bank. Moreover, the authorities of a State bank might have sacrificed both the national trade & the stability of the bank to exigencies of State. A board of merchants representing private proprietors was less likely to ~~do~~ <sup>make</sup> this mistake. No doubt a City bank, resting like those of Amsterdam & Hamburg on the guarantee of the Corporation, might have been trusted to promote commercial interests. But the credit of the City of London in 1694 was at its lowest ebb. The Chamber of London, chartered in 1650



of the Scottish type. The issue is still a live one in the United States; but in the United Kingdom, it may now be said that, for good or ill, the large branch bank has completely ousted the small local bank. In all probability this result would have come about at least a century earlier, but for the close connection between the Bank of England & the State.

84

But though the Bank of England was at its origin rather an incident of State finance than the foundation of a national banking system, its services to the State were very narrowly restricted by Statute. It is curious to note that those Exchequer functions which it afterwards undertook, & whose gradual assumption it is the principal object of this book to trace, are not even referred to in the original Act & Charter. The fact is, that the Bank of England, like most really English institutions, was case-made; it owed its form & functions, not to systematic planning, but to attempts to meet emergencies as they from time to time arose. Thus the "running cash note," which afterwards became the most effective banking instrument of the English bank was an evasion, even if not (as often alleged) a positive infraction of its charter, <sup>the charter</sup> which only contemplated an issue of "sealed bills," strictly limited in amount to the capital subscribed.

The connection of the Bank with the public revenue, as

If this was so with its banking methods, it was equally the case with its relations to the Exchequer, <sup>thereby</sup> which as Professor Philippovich clearly shows, grew up informally long before ~~they~~ <sup>it</sup> received legislative recognition.

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C  
Preface to ~~Philipovich~~ <sup>cap.</sup>  
~~The Bank of England and its Financial Services to the State, 1885.~~

The work of Professor Philipovich here translated is a recognized Economic classic. It owes this position to the importance of its subject; & the thoroughness & accuracy with which the distinguished author has handled it. The position of the Bank of England is so exceptional, that its history must always be of peculiar interest; & this more especially, in so far as concerns its relations to public finance. For this bank was, above all others, perhaps, in its origin and development, emphatically the servant of the State. Arising out of a State loan, it was cradled in a Ways & Means Act dealing with the tonnage duties imposed to provide interest on the loan; & in early days was nicknamed the "Tonnage Bank".

At the outset, the Bank of England had no other special relations to the State; in fact, special provision was made to limit its services to those authorized by Parliament: ~~It afterwards~~ ~~obtained~~ even its banking monopoly was not conferred by the original Charter. Starting without a monopoly, it obtained its privileged position by its unflinching loyalty to the Government; just as the Bank of Scotland, which started with a monopoly, lost it in 1727, by its suspected affection for the interest of the Pretender. Thus the different attitude towards the State of the two contemporary banks, carrying with it differences of privilege, determined the difference in the national systems of banking in England & Scotland, a difference which reached its extreme about a century ago. The 19th century has seen the struggles between these two types of banking end in the complete victory



8 (8)

objections. The French bank ought to have paid for its monopoly, as the English bank did. Instead, Government was a shareholder in it. If at the start the Government did the Bank some service in subscribing <sup>these</sup> 5000 shares, it would now be doing it a greater service if it would free it from the tutelage of such a shareholder, who, sooner or later, ~~would~~ might become suspect. It was because the English Government was scrupulously careful to fulfil all the obligations with which private debtors had to comply, that it was able, without endangering the Bank, to obtain assistance from it. The English Bank made payments & discounts for the Government just as for private firms who had opened accounts with it. The English Bank also collected certain portions of the public revenue, & especially those pledged for the service of the Debt; but it was rather as "grand syndic des créanciers de l'État" than as Government agent that it made these collections. The State no longer had the disposal of these revenues, because they had been made over to its creditors; & it was to emphasize the unqualified character of this assignment, that the duty of collecting directly from the public receivers the corresponding amounts was imposed on the Bank. Moreover, owing to the fact that the bulk of the English Debt was in the hands of large holders, who kept accounts with the Bank, the payment of interest was a very simple matter. It would be otherwise in France, where the average holding in 1806 was only 450 francs.

142  
OKM

Mollien goes on to urge that the new French Bank cannot be usefully compared with the English Bank, resting as the latter did upon a century of success. England, he says, is perhaps the only country where the creations of credit enjoy so wide a currency that artificial money itself does not degenerate into paper money.

He thought that the real guarantee of the English paper was ~~not~~ neither the shareholder's capital, nor the securities held by the Bank, but the immense mass of goods stored in the country. Napoleon here interposes his own explanation. He sums up the matter in an admirable phrase, worthy of his genius, which exactly hits the mark. "People have sense enough to understand the ~~difference between bank notes~~ that bank notes are not paper money." These half-dozen words exactly express the position maintained four years later by the Bank of England against the Bullion Committee. Form the best answer to the innumerable schemes for Government Banks of Issue so constantly put forward. Government paper is forced out in payment of the limitless expenses of the State. Bank paper, whether bank notes, as in those days, or cheques today, is issued against, ~~more or less~~ limited by, sound & well-secured Commercial Credit. Bank paper is normally convertible; State paper always tends towards ~~inconvertibility~~ inconvertibility. It was a sound instinct that led England in 1694 & France in 1800 to make their public banks commercial companies instead of departments of State.

To return to the question with which we were here mainly concerned, it would appear that the Bank of France in 1806, like the English bank ~~in the~~ <sup>in the</sup> century before, was not unwilling, while retaining its independence, to undertake a large part of the ~~State~~ Treasury business. It is not quite certain how far the Governor, Crétet, represents the views of the proprietors, because in 1806, for the first time, the Governor of the Bank was appointed by the Emperor, & Crétet therefore presided as ~~the~~ Napoleon's nominee. But in the discourse which Crétet made to the General Assembly of the Bank Direction on the 13<sup>th</sup> May 1806, we find him a pronounced advocate of closer relations with the ~~the~~ Treasury. He even congratulates

P.T.O. insert all over



✓

He expresses the hope that the Treasury may be willing to concentrate in the hands of the Bank revenue services now distributed amongst so many intermediaries; estimating the economies which would result from such a centralization at from 3,000,000 to 5,000,000 francs per annum.

the Bank on having secured a State lottery agency, promising little profit, because it may lead to more important connections.

This, of course, was precisely what Mollien feared. So anxious was he to prevent any advance in this direction that, against the advice of the responsible minister, Marbois, we find him supporting a proposal for constituting the Receivers-General into a ~~Bank~~ bank of their own. This bank was to handle the public money, & to make advances to the Emperor on the revenue. The proposal seems to have been adopted. The circulation of short-Treasury paper, says Mollien later, is entrusted to the Receivers-General. For the time, therefore, Mollien had his way.

91 It is doubtful whether Napoleon was really convinced by Mollien's arguments; but he had a high esteem for him, & may have thought that there were grounds for caution. After listening to Mollien, he sat silent for a few minutes, & then observed: "The world is old; we should profit by its experience. It teaches us that ancient practice is often worth more than new theories." In one way or another, Napoleon is brought to say, in the end, that "the one thing that seemed clear to him was that there must be no alliance between the business of the Treasury & that of the Bank." But if he thus adopts Mollien's policy, it must of course be for reasons of his own. "Amongst many good reasons, one had decided him," he tells Mollien. "A simple movement of public money often carried with it a State secret. He did not wish to increase the number of his confidants in matters of this kind." This <sup>is a</sup> <sup>that</sup> reason would appeal to Napoleon; needless to say, it was not influential with Mollien; so far as one can trace, he does not even mention it. Mollien was really afraid that relations with the Treasury would compromise the



Stability of the Bank. This had often been the case in the past; no one was in a better position than Malthus to judge of the probability that history might repeat itself in the France of his day. Yet Napoleon's ideas were in the abstract sound enough, & the later history of the Bank of France has justified him. The Bank now has, as he desired, branches in every department, in fact in every important town; the Treasury makes large use of its admirable organization for the service of the Revenue. The Bank of France, in fact, keeps the Government account.

8 The classical case of the Second Bank of the United States, when a public bank, actually discharging these Sacherer functions, was ~~in~~ <sup>after</sup> 1834 deprived of them, presents a still ~~more~~ stronger contrast to the history of the Bank of England. It need not be more than mentioned here, as the circumstances are so familiar, ~~but as~~ <sup>as</sup> they have been so exhaustively chronicled. It is possible to insist too much on these international parallels & contrasts. No two countries can be strictly compared in a matter of this complex character; each case must be carefully considered with reference to all the pertinent political & economic conditions. Perhaps the analogy is closer between the English & French Banks; but even here it would not do to attempt to draw general conclusions from the divergent policies adopted. The chief use of justification of such comparisons is their tendency to stimulate further inquiry.

As far as the Bank of England is concerned, there is little to be added to the very complete account of the history of its relations to the State given by Professor Philipovich. That account is brought down to the year 1885. The only changes requiring note since that date are those effected (the 55 & 56 Victoria c. 48), usually known as The Bank

Act of 1892. This Act is printed in the <sup>an</sup> Appendix to this volume.

It made a new adjustment of the payments due to the Banks of England & Ireland for the management of the Debt, in which was now included the Local Loans Stock (Municipal) & the Guaranteed Land Stock (Ireland.) It was a natural time for a reconsideration of the question.

The great Conversion of the National Debt had been successfully carried through by Mr. (afterwards Viscount) Goschen in 1888 & 1889. Both Banks had given invaluable assistance in the operations. Sir E.W. Hamilton, in <sup>the official</sup> account of the Conversion,

writes that "the labour which the attainment of such results imposed on the Banks of England & Ireland was, as can readily be imagined, prodigious; & nothing short of perfect organisation & untiring zeal could have enabled those establishments to grapple with it." It is difficult, he adds, "to give an adequate idea of its magnitude"; but he furnishes many interesting

To give some idea of the magnitude of the necessary operations, he mentions a number of interesting particulars. From these we learn that the total number of accounts of

holdings inscribed in the books of the Bank of England was ~~amounted to~~ 169,235; "which varied in amount from £5,760,000 to the curiously small sum of one penny."

389 millions odd of Consols & Reduced Treas were converted by the Bank of England. The Bank staff had to be largely increased; & during some weeks 100 men worked

until ~~until~~ 11 P.M., & 50 throughout the night. Difficulties of identification & verification of agency were especially great.

"In spite of the immensity & the intricacy of the work, no mistakes were committed; no delays occurred; scarcely a complaint against the Bank was preferred."



The remuneration received by the two Banks was £101,541.15.11; £98,248.0.2 to the Bank of England, £3,293.15.9 to the Bank of Ireland, a small ~~fraction~~ part of the total expenses of the Conversion, estimated at £1,294,142.16.7. This expense, together with the cost of an additional quarterly dividend, due to the change from half-yearly to quarterly payment, was almost wholly defrayed out of the surplus revenue for the year 1888-9. The work in connection with the Redemption of unconverted stock was much heavier, relative to the amount handled, than the work of the Conversion itself. For this the Bank of England received £14,011.11.11. The Bank of Ireland, £500. Thus the Bank of England received about £12,260 for its services in the double operation. The payment was undoubtedly well earned.

~~Here~~ The National Debt had thus changed its form, & the dividend upon the whole of it was now paid quarterly instead of at alternate half-yearly periods on the two portions, as before. Moreover the dividend upon the debts of the State to each Bank (£11,015,100.0.0 & £2,630,769.4.8 respectively) was also in future to be subject to the terms of the Conversion Act. These changes made it fitting to reconsider the pecuniary arrangements between the Government & the Bank for the service of the Debt. These arrangements had been revised by Mr. Gladstone in 1861, when the payments to be made by the State were reduced by some £50,000 a year. The terms of the existing arrangement will be found in the printed Act of 1892. They are not subject to revision until March 1912. They involve a further saving to the State of £45,700 a year.

Reference will be noticed in the Act of 1892 to a possible Supplementary Charter. This Charter was applied for in due course, & bears date Aug. 19. 1896. It deals exclusively with what may be called the internal affairs of the Bank; & for this reason perhaps, does not appear to have been published. It seems to have been granted in reply to a petition from the Bank, stating that much inconvenience was caused in various respects by certain provisions of the old Charter. The new provisions substituted give the Bank greater freedom in matters relating to its internal government. The only one which seems to concern the public, is the first, dealing with the re-election of Directors. By the first of the Acts which conferred the Bank Monopoly, the 8<sup>th</sup> & 9<sup>th</sup> Wm. III, c. 20 (1697), it was enacted (sec. 52.) "that in all future elections of Directors there shall not be chosen above two-thirds of those who were directors the preceding year." This provision does not seem to give adequate guarantee of due experience or continuity of policy in the Bank Direction. The Bank petitioned against the clause, 26 Mar. 1697; but it was adopted by the House in spite of their protest. There was at that time a wide-spread fear lest the power which their position gave to the Directors might result in favouritism or trade monopoly, & this may have influenced the decision of the House. No further statutory change appears to have been made until the passing of the Act (35 & 36 Vict., c. 34, (18 July 1872) - An Act to Amend the Law relating to the Election of Directors of the Bank of England. This provides that "Sect. 52 of the Act 8<sup>th</sup> & 9<sup>th</sup> Wm. III, c. 20. (which section relates to elections of directors of the Bank of England) shall have effect as if seven eighths had been therein mentioned instead of two thirds." By the Bank Act of 1892 it was provided that



the Act of 1872 (with other Acts <sup>scheduled</sup> mentioned) should be repealed as from the date of the Supplemental Charter, if granted & accepted. Accordingly the rule now in force is that laid down in the first clause of the Supplemental Charter. It reads, "If a byelaw made by a General Court of the Bank of England so provides, such proportion as is fixed by that byelaw of the existing directors of the Bank of England shall not be eligible for re-election at the then next annual ~~next~~ election of directors?" What the actual effect of this curiously worded clause will be, it would be idle to speculate; it seems to leave the matter wholly at the discretion of the Bank Court. The question has only an indirect relation to the main subject of this work; but as the Charter is mentioned in the Act of 1892, it was thought that these brief explanations might be of interest.

H. S. Foxwell.

Jan. 9, 1911.

gal 2 NAD  
fol

1879 1880

Notes he drew Gold Co he drew Silver Co he drew Nat Bank he drew Totals he drew per cash due

1879 330.9

153

.4

1880 310

20.9 8

7.3

.5  
5.8  
5.3

1881 327.9

17.9

39.1 33.3

1882

1883

1884

1885

1886

1887

1888

1889

Gas bill 16.75

Joe Hogan 10.-

Trus Green 319.95

M. Connor 16.96

Wm Dells de C 5.58

Joe F Oyster 40.-

Wm Demoreton 82.36

C.S. Bryan 239.82

Wm F Downey 57.50

782.92



The vast importance of the question  
involved overshadows all other

demands that we should discuss  
it with the utmost candour

The Silver question

It is either one as to the <sup>full</sup> restoration  
of Silver to its functions

- or -

is the question of the proper treatment  
of commodity largely produced  
in the U.S. and which the people  
of several States have a law  
interest

If to be treated from the money standpoint  
it should be carefully considered in  
connection with the question of the  
desirability or importance of an

The proposition that the prosperity of  
a country can be increased  
indefinitely by an ~~increase~~ <sup>expansion</sup>  
~~in the circulating~~ <sup>medium</sup> ~~has been~~  
~~so often~~ of the volume  
of money in circulation  
has been so often maintained  
and so often shown by sad  
experience to be



The demand for more money.

Enforced by

(1) The recent financial stringency

---

(2) The fact that France has a  
much larger amt of currency  
per capita

---

(3) By ag distress in some parts  
of the country

---

# Hoards

## The Hoarded Stock of Silver

The Babson Vol. I. Royal Com  
estimates that 1,500. millions in  
gold & silver (exclusive of the current  
coin) was added to the hoards held in  
India in the 50 year 1835-1885.

1492.-  
9500. less  
22  
7300 coin  
40  
3300  
in hoards ornaments

Native princes & others



# France

Great difference in the habits of the French people

Hoards of both gold & silver held by all the common people

44% of their transactions in currency as against less than 5% in GB & 5 to 9 in the U.S.

\$12. per capita of 5 franc pieces <sup>actual</sup> in circulation among the people

Gold & Silver held by the  
Reserve Bank of France

	Gold	Silver
Decem 1879	148,320,000	393,840,000
Sept 1889	266.	240.

increased  
decreased to  
Dec 31 1889

1 The movement for free coinage  
or rather for the unlimited purchase  
of silver bullion  
~~~~~

2 The probable effects of the act of July 14, 1890.



ATA

Statement of the Exchanges of the Clearing-Houses of the United States, for the years ending (inclusive), as shown by the official returns received from the manager of the New York

| Cities.       | 1882.          | 1883.          | 1884.          | 1885.          | 1886.          | 1887.    |
|---------------|----------------|----------------|----------------|----------------|----------------|----------|
| New York      | 46 552 846 161 | 40 293 165 258 | 34 092 037 338 | 25 250 791 440 | 33 374 682 216 | 34 872   |
| Boston        | 3 753 496 901  | 3 540 980 659  | 3 314 358 919  | 3 365 702 730  | 4 008 565 266  | 4 408    |
| Philadelphia  | 2 760 946 906  | 2 794 181 749  | 2 664 317 901  | 2 244 174 406  | 2 785 875 450  | 3 186    |
| Chicago       | 2 373 903 487  | 2 507 022 178  | 2 349 152 846  | 2 248 230 189  | 2 560 369 272  | 2 887    |
| Saint Louis   | 878 549 184    | 874 272 698    | 817 462 162    | 745 577 323    | 800 370 610    | 879      |
| San Francisco | 635 787 679    |                | 581 116 161    | 562 640 183    | 599 341 061    | 800      |
| New Orleans   | 484 615 412    | 51 565 5203    | 502 013 067    | 387 485 900    | 434 000 000    | 412      |
| Baltimore     | 700 464 508    | 695 499 933    | 653 205 248    | 590 859 346    | 600 584 993    | 665      |
| Pittsburgh    | 433 689 239    | 538 134 072    | 492 317 784    | 358 517 850    | 386 298 704    | 490      |
| Cincinnati    | 971 900 000    | 486 177 850    | 480 400 000    | 439 034 000    | 492 440 500    | 564      |
| Kansas City   | 178 044 500    |                | 166 237 922    | 209 335 915    | 265 009 168    | 380      |
| Louisville    | 392 189 934    | 203 580 839    | 221 921 422    | 208 714 120    | 230 133 557    | 269      |
| Providence    |                | 236 558 200    | 227 300 000    | 205 575 000    | 233 850 700    | 240      |
| Detroit       |                | 91 816 937     | 138 393 736    | 134 650 006    | 147 986 702    | 188      |
| Milwaukee     | 388 170 946    | 174 911 297    | 181 052 907    | 179 437 953    | 193 777 209    | 240      |
| Saint Paul    |                |                |                |                |                | 200      |
| Minneapolis   |                |                |                |                |                | 184      |
| Omaha         |                |                |                |                | 162 295 900    | 137      |
| Cleveland     | 116 481 767    | 110 756 380    |                | 101 305 282    | 120 096 237    | 160      |
| Columbus      |                | 60 206 815     | 69 417 717     | 33 632 577     | 42 841 413     | 53       |
| Denver        |                |                |                |                | 144 272 063    | 110      |
| Memphis       | 43 693 882     | 54 671 255     | 58 465 436     | 67 199 260     | 75 351 489     | 94       |
| Indianapolis  | 112 000 000    |                | 77 530 440     | 65 235 339     | 69 358 799     | 87       |
| Hartford      | 88 493 000     | 92 785 885     | 85 683 599     | 77 495 526     | 86 977 569     | 89       |
| New Haven     |                | 64 138 001     |                | 54 803 637     | 56 850 362     | 63       |
| Peoria        | 54 428 517     | 50 961 493     | 47 182 994     | 40 554 333     | 38 331 388     | 55       |
| Springfield   | 41 450 006     | 40 861 119     | 38 800 656     | 36 754 686     | 41 342 731     | 50       |
| Saint Joseph  |                | 58 268 52      |                | 33 784 703     | 43 775 013     | 67       |
| Worcester     | 42 769 666     | 44 243 340     | 41 738 383     | 37 036 992     | 43 557 619     | 47       |
| Duluth        |                |                |                |                |                |          |
| Portland      |                |                | 33 324 643     | 44 786 547     | 46 667 360     | 49       |
| Norfolk       |                |                |                |                |                | 40       |
| Galveston     |                |                |                |                | 73 102 796     | 63       |
| Los Angeles   |                |                |                |                |                |          |
| Grand Rapids  |                |                |                |                |                | 26       |
| Lowell        | 28 502 573     | 36 752 968     | 25 837 924     | 22 403 614     | 26 760 272     | 31       |
| Syracuse      | 21 929 317     | 22 903 351     | 28 139 070     | 24 372 022     | 26 777 352     | 28       |
| Wichita       |                |                |                |                |                |          |
| Sioux City    |                |                |                |                |                |          |
| Richmond      |                |                |                |                |                |          |
| Topeka        |                |                |                |                |                |          |
| Tasoma        |                |                |                |                |                |          |
| Buffalo       |                |                |                |                |                |          |
| Totals.       | 61 054 353 585 | 53 536 061 332 | 47 387 408 275 | 37 770 110 819 | 48 211 643 771 | 52 126 7 |

Notes. - No returns prior to 1882.



of the Clearing-Houses of the United States, for the years ended September 30, 1882 to 1889,  
 Official returns received from the manager of the New York Clearing House.

|    | 1883.           | 1884.           | 1885.           | 1886.           | 1887.           | 1888.           | 1889.           |
|----|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| 61 | 40 293 165 258  | 34 092 037 338  | 25 250 791 440  | 33 374 682 216  | 34 872 848 786  | 30 863 686 609  | 34 796 465 529  |
| 01 | 3 540 980 659   | 3 314 358 919   | 3 365 702 730   | 4 008 565 266   | 4 408 269 993   | 4 288 878 016   | 4 763 543 730   |
| 06 | 2 794 181 749   | 2 664 317 901   | 2 244 174 406   | 2 785 875 450   | 3 186 188 935   | 3 155 190 237   | 3 546 854 097   |
| 87 | 2 507 022 178   | 2 349 152 846   | 2 248 230 189   | 2 560 369 272   | 2 887 276 059   | 3 089 288 194   | 3 327 108 659   |
| 4  | 874 272 698     | 817 462 162     | 745 577 323     | 800 370 610     | 879 272 738     | 886 812 201     | 952 804 686     |
| 9  |                 | 581 116 161     | 562 640 183     | 599 341 061     | 800 092 859     | 823 436 263     | 848 571 603     |
| 2  | 51 565 520 3    | 50 201 306 7    | 387 485 900     | 434 000 000     | 412 231 409     | 450 792 897     | 488 017 828     |
| 8  | 69 549 993 3    | 65 320 524 8    | 590 859 346     | 600 584 993     | 665 676 756     | 614 399 374     | 643 338 736     |
| 9  | 53 813 407 2    | 49 231 778 4    | 358 517 850     | 386 298 704     | 490 319 705     | 566 135 994     | 629 665 173     |
| 0  | 48 617 785 0    | 48 040 000 0    | 439 034 000     | 492 440 500     | 564 377 200     | 518 620 450     | 553 632 450     |
| 0  |                 | 166 237 922     | 209 335 915     | 265 009 168     | 380 407 069     | 382 284 073     | 450 056 139     |
| 4  | 20 358 083 9    | 22 192 142 2    | 20 871 412 0    | 23 013 355 7    | 26 978 654 7    | 29 571 109 4    | 34 216 473 1    |
|    | 23 655 820 0    | 22 730 000 0    | 20 557 500 0    | 23 385 070 0    | 24 083 810 0    | 24 813 580 0    | 25 676 070 0    |
|    | 9 181 693 7     | 13 839 373 6    | 13 465 000 6    | 14 798 670 2    | 18 862 938 4    | 21 869 535 1    | 17 609 717 1    |
| 6  | 17 491 129 7    | 18 105 290 7    | 17 943 795 3    | 19 377 720 9    | 24 012 790 9    | 22 260 980 8    | 24 919 917 3    |
|    |                 |                 |                 |                 | 20 036 430 7    | 19 402 680 1    | 20 207 660 2    |
|    |                 |                 |                 |                 | 18 470 002 2    | 20 404 047 7    | 23 062 674 5    |
|    |                 |                 |                 | 16 229 590 0    | 13 722 053 5    | 16 600 700 3    | 20 125 016 6    |
| 7  | 11 075 638 0    |                 | 10 130 528 2    | 12 009 623 7    | 16 001 084 0    | 16 043 090 4    | 18 577 354 7    |
|    | 6 020 681 5     | 6 941 771 7     | 3 363 257 7     | 4 284 141 3     | 5 331 142 5     | 11 364 753 9    | 12 428 061 1    |
|    |                 |                 |                 | 14 427 206 3    | 11 024 016 7    | 12 757 979 7    | 20 628 739 9    |
| 2  | 5 467 125 5     | 5 846 543 6     | 6 719 926 0     | 7 535 148 9     | 9 424 149 6     | 10 590 805 6    | 12 598 583 2    |
| 0  |                 | 7 753 044 0     | 6 523 533 9     | 6 935 879 9     | 8 714 957 0     | 9 957 681 1     | 9 920 580 7     |
| 0  | 9 278 588 5     | 8 568 359 9     | 7 749 552 6     | 8 697 756 9     | 8 987 107 8     | 8 862 509 1     | 9 713 201 7     |
|    | 6 413 800 1     |                 | 5 480 363 7     | 5 685 036 2     | 6 393 132 5     | 6 070 461 0     | 6 246 084 0     |
|    | 5 096 149 3     | 4 718 299 4     | 4 055 433 3     | 3 833 138 8     | 5 500 634 4     | 6 729 625 8     | 7 711 095 5     |
|    | 4 086 111 9     | 3 880 065 6     | 3 675 468 6     | 4 134 273 1     | 5 059 329 1     | 5 638 313 0     | 6 103 189 8     |
|    | 5 826 85 2      |                 | 3 378 470 3     | 4 377 501 3     | 6 723 913 3     | 6 944 982 2     | 6 782 045 9     |
|    | 4 424 334 0     | 4 173 838 3     | 3 703 699 2     | 4 355 761 9     | 4 719 768 7     | 5 128 673 9     | 5 486 823 9     |
|    |                 | 3 332 464 3     | 4 478 654 7     | 4 666 736 0     | 4 958 865 2     | 11 328 004 3    | 8 942 011 7     |
|    |                 |                 |                 |                 | 4 016 323       | 5 015 634 2     | 5 397 029 8     |
|    |                 |                 |                 | 7 310 279 6     | 4 016 323       | 4 487 718 1     | 4 316 816 8     |
|    |                 |                 |                 |                 | 6 318 255 7     | 5 716 544 4     | 7 186 567 3     |
|    |                 |                 |                 |                 |                 | 6 305 098 1     | 3 687 324 2     |
|    |                 |                 |                 |                 | 2 622 959 8     | 3 102 517 9     | 3 289 736 3     |
|    | 3 675 296 8     | 2 583 792 4     | 2 240 361 4     | 2 676 027 2     | 3 167 005 0     | 3 298 699 2     | 3 432 319       |
|    | 2 290 335 1     | 2 813 907 0     | 2 437 202 2     | 2 677 735 2     | 2 859 670 8     | 3 384 531 8     | 3 817 102 7     |
|    |                 |                 |                 |                 |                 | 3 562 807 8     | 3 511 086 0     |
|    |                 |                 |                 |                 |                 |                 | 19 175 915      |
|    |                 |                 |                 |                 |                 | 8 349 322 1     | 10 555 602 8    |
|    |                 |                 |                 |                 |                 | 1 573 863 5     | 1 957 852 5     |
|    |                 |                 |                 |                 |                 |                 | 1 572 035 8     |
|    |                 |                 |                 |                 |                 |                 | 7 872 303 1     |
|    | 5 353 606 1 332 | 4 738 740 8 275 | 3 777 011 0 819 | 4 821 164 3 771 | 5 212 670 4 488 | 4 875 088 6 813 | 5 449 475 4 586 |