NELSON ALDRICH

Monetary Commission

MISCELLANY

Welldon's Digest of
State Banking Laws

(Copy sent to Printer Feb 15/09)

1 Alabama
2 Colorado
3 ~~Connecticut~~
4 Florida
5 Georgia
6 Idaho
7 Illinois
8 Indiana
9 Kansas
10 Kentucky
11 Louisiana
12 Maine
13 Minnesota
14 Mississippi
15 Missouri
16 Nevada
17 New Hampshire
18 North Carolina
19 Ohio
20 Oklahoma
21 Oregon
22 Rhode Island
23 South Carolina
24 South Dakota
25 Tennessee
26 Texas
27 Utah
28 Virginia
29 West Virginia
30 Wisconsin

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31 Arkansas
32 California
33 Delaware
34 Iowa
35 Maryland
36 Michigan
37 Montana
38 Nebraska
39 Vermont
40 Washington
41 Wyoming

SUPPLEMENT TO LIST OF PENDING INVITATIONS FOR SENATOR ALDRICH TO DELIVER ADDRESSES.

FLORIDA.

TAMPA: Letter dated Nov. 13, 1909. From THOMAS J. L. BROWN, President Tampa Chamber of Commerce. To address a CONVENTION OF BANKERS OF THE SOUTHERN STATES, as guest of honor, at banquet, February 16, 1910. Dinner, evening.

INDIANA.

INDIANAPOLIS. Letter dated Nov. 23, 1909. From HERBERT H. RICE (Vice-Prest. and Mgr. Waverly Co.), President Manufacturers' Association. Seconds invitation to address "MANUFACTURERS OF THIS SECTION" in January, 1910.

Indianapolis - district.

accepted Jan 20

LOUISIANA.

NEW ORLEANS: Letter dated Nov. 24, 1909. From LYNN H. DINKINS, Prest. Interstate Trust and Banking Co. General invitation to deliver address in New Orleans at date to be fixed by Senator Aldrich.

NEW YORK.

TROY: Letter dated Dec. 16, 1909. From HENRY COLVIN, Chairman Group V, N. Y. State Bankers' Assn. Referring to prior invitation, states that dinners are usually held on Saturday evenings.

BUFFALO: Letter dated Nov. 18, 1909. From JOHN N. KLOEPFER (Hamburgh, N. Y.), Treasurer N. Y. State Bankers' Assn., and Chairman of Group 1. To address annual meeting and banquet of GROUP 1, NEW YORK STATE BANKERS' ASSOCIATION, at Buffalo Club, during December or January, at time to be fixed by Senator Aldrich. Dinner, evening.

NEW YORK -- continued.

Same
21

BUFFALO: Letter dated Dec. 9, 1909. From SAMUEL ELLIS (Asst. Cashier Mfrs. and Traders Natl. Bk.), Secretary Group 1, N. Y. State Bankers' Assn. To address annual dinner of GROUP 1, NEW YORK STATE BANKERS' ASSOCIATION, in January or February, 1910, at time to be fixed by Senator Aldrich. Dinner, evening.

OHIO.

31

CLEVELAND: Letter dated Nov. 23, 1909. From MUNSON A. HAVENS, Sec'y Cleveland Chamber of Commerce. Hopes to have Chamber of Commerce hear Senator Aldrich "a little later", viz: after meeting of Congress, when legislative program for the session is ascertained.

accepted for Jan 22
20

CINCINNATI: Letter dated Dec. 14, 1909. From W. S. ROWE, Commercial Club, Cincinnati. Acknowledges acceptance of invitation to address COMMERCIAL CLUB OF CINCINNATI on Saturday evening, January 22, 1910. Dinner, evening.

TENNESSEE.

acted [illegible]
24

NASHVILLE: Telegram dated Dec. 15, 1909. From E. W. FOSTER, Prest. Nashville Board of Trade. To address NASHVILLE BOARD OF TRADE at Senator Aldrich's convenience. Luncheon, noon. (Also telegram of Dec. 15 from GEORGE M. REYNOLDS, seconding above, and urging presence on Dec. 23.)

RHODE ISLAND.

N.A. see also page 4
16

PROVIDENCE: Letter dated Dec. 16, 1909. From RATHBONE GARDNER, Prest. Union Trust Co. Seconds prior invitation of Mr. Stockwell to address ECONOMIC CLUB OF PROVIDENCE "at an early date." Dinner, evening.

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(35) Syracuse N.Y. Chamber Commerce

(36) Worcester, Mass. Board of Trade

LIST OF PENDING INVITATIONS FOR SENATOR ALDRICH TO DELIVER ADDRESSES. (These invitations were pending Dec. 18, 1909.)

(37) Pawtucket Business Mens Assn.

CONNECTICUT.

NEW HAVEN: Letter dated Nov. 8, 1909. From ARTHUR C. GRAVES (179 Church St., New Haven), Secretary Economic Club of the City of New Haven. To address ECONOMIC CLUB OF THE CITY OF NEW HAVEN at first annual dinner on "almost any Thursday after Thanksgiving." Dinner, evening.

(7) no

GEORGIA.

ATLANTA: Letter dated Oct. 27, 1909. From ROBERT J. LOWRY. General invitation to visit Atlanta and make address on monetary matters. Time not specified.

ATLANTA: Telegram dated Oct. 29, 1909; also letter dated Nov. 3rd, and letter dated Dec. 4th, to same effect. From W. G. COOPER, Secretary Atlanta Chamber of Commerce. General invitation to address ATLANTA CHAMBER OF COMMERCE "at your earliest convenience" on monetary matters. Time to be fixed by Senator Aldrich.

accepted for date to be fixed later

(15)

IOWA.

SIOUX CITY: Telegrams dated Nov. 8, 1909. From C. J. BELL Commissioner Sioux City Commercial Club, and GEORGE D. PERKINS. General invitation to speak in Sioux City. Date to be fixed by Senator Aldrich.

Declined

(34)

KENTUCKY:

LOUISVILLE: Letter dated Aug. 12, 1909. From JOHN T. BATE (Asst. Cashier Louisville Natl. Banking Co.), President of Louisville Chapter, American Institute of Banking. To address meeting of LOUISVILLE CHAPTER,

acted

(11)

KENTUCKY---continued. ✓

AMERICAN INSTITUTE OF BANKING, at Board of Trade rooms. Time not specified.

MASSACHUSETTS.

(?)

n.a. (2) BOSTON: Letter dated Nov. 13, 1909. From J. W. BRATSON, (No. 6 Beacon St.), Secretary Economic Club of Boston. To address ECONOMIC CLUB OF BOSTON on the work of the National Monetary Commission. Date to be fixed by Senator Aldrich. Dinner, evening. ✓

ansd (18) BOSTON: Telegram dated Nov. 10, 1909. From JOHN W. WEEKS. To address BOSTON CHAMBER OF COMMERCE in November or December (but not between Dec. 1 and Dec. 5.).

MISSOURI.

ack'd (13) ~~JOPLIN: Letter dated Nov. 11, 1909. From DAVID D. HOAG (Secretary Empire District Electric Co.). General invitation to make "one or two speeches some time in the future."~~ ✓

Out

NEW YORK.

ack'd 1-6-1 (14) TROY: Letter dated Dec. 2, 1909. From HENRY COLVIN (Cashier National State Bank), Chairman Group V, N. Y. State Bankers' Assn. To be guest of honor and address annual dinner of GROUP V, NEW YORK STATE BANKERS' ASSOCIATION, at "dinner usually held in January." Dinner, evening. 2

ack'd 1-6 (3) NEW YORK CITY: Letter dated Dec. 4, 1909. From E. F. CRAGIN (100 Broadway), Chairman Committee on National Affairs of Republican Club of City of N. Y. To address REPUBLICAN CLUB OF THE CITY OF NEW YORK at meeting of Feb. 5, 1910. Luncheon, 1:30 p. m. 2

ack'd (5) NEW YORK CITY: Letter dated Sept. 23, 1909. From N. D. ALLING (Care Nassau Bank, N. Y. City), President American Institute of Banking, 11 Pine St. To address any regular meeting on any Thursday evening after middle of October. 2

NEW YORK --- continued.

ackd (6) NEW YORK CITY: Letter dated Oct. 29, 1909. From FRANK A. VANDERLIP (Prest. National City Bank), Chairman Group VIII, N. Y. State Bankers' Assn. To address GROUP VIII, NEW YORK STATE BANKERS' ASSOCIATION, at annual dinner at Waldorf-Astoria, January 17, 1910. Dinner, evening. 2

n.a. (12) NEW YORK CITY: Letter dated Nov. 19, 1909. From L. L. GILLESPIE (Vice-Prest. Equitable Trust Co.), Chairman Executive Committee of Trust Co. Section, Am. Bankers' Assn. To address TRUST COMPANY SECTION, AMERICAN BANKERS' ASSOCIATION, at luncheon in honor of Senator Aldrich. Date to be fixed by Senator Aldrich. Luncheon. 2

OHIO.

Ans'd (32) CINCINNATI: Telegram dated Nov. 9, 1909. From J. B. FORAKER. General invitation to address bankers and business-men of Cincinnati. V

Declined (33) CINCINNATI: Telegram dated Nov. 9, 1909. From WILLIAM E. HUTTON, President, and FRANK H. BALLMAN, Secretary, Bankers' Club of Cincinnati. To address BANKERS' CLUB OF CINCINNATI at date convenient to Senator Aldrich. V

(31) CLEVELAND: Telegrams of Nov. 17 and Nov. 22, 1909. From MUNSON A. HAVENS, Secretary Cleveland Chamber of Commerce. To address CLEVELAND CHAMBER OF COMMERCE at date to be fixed by Senator Aldrich. 2

PENNSYLVANIA.

ackd 6/5 (4) PHILADELPHIA: Letter dated Dec. 4, 1909. From WILLIAM T. ELLIOTT (Prest. Central Natl. Bk.), President of the Association of Philadelphia National Banks. To address BANKERS OF PHILADELPHIA at Bellvue-Stratford Hotel, at annual dinner on Wednesday, Feb. 2, 1910. Dinner, evening. 2

PENNSYLVANIA -- continued.

acked 1924 (8) PHILADELPHIA: Letter dated Oct. 27, 1909. From H. HARGER BLISH, President Wharton Association, University of Pennsylvania. To address WHARTON ASSOCIATION, UNIVERSITY OF PENNSYLVANIA, "after convening of Congress." Noon, 12 to 12:45.

acked 1924 (9) PHILADELPHIA: Letter dated Oct. 28, 1909. From L. S. ROWE (University of Pa.), President American Academy of Political and Social Science. To address special session of AMERICAN ACADEMY OF POLITICAL AND SOCIAL SCIENCE in honor of Monetary Commission, "some time in January", 1910. Time not specified. ✓

acked 1924 (10) PHILADELPHIA: Letter dated Oct. 27, 1909. From JOHN C. KNOX (Bank of North America), President Philadelphia Chapter, American Institute of Banking. To address PHILADELPHIA CHAPTER, AMERICAN INSTITUTE OF BANKING. Time not specified. ✓

RHODE ISLAND.

acked (16) PROVIDENCE: Letter dated Nov. 30, 1909. From EDWARD A. STOCKWELL (328 Butler Exchange), Secretary Economic Club of Providence. To address ECONOMIC CLUB OF PROVIDENCE on the work of the Monetary Commission. Date to be fixed by Senator Aldrich. Also letter from E. P. METCALF (President Atlantic Natl. Bk.) seconding invitation. aac

acked (17) PROVIDENCE: Letter dated Dec. 7, 1909. From WILLIAM C. GREENE (44 Alumni Ave.), President Rhode Island Society of Sons of the American Revolution. To address annual banquet of RHODE ISLAND SOCIETY, SONS OF THE AMERICAN REVOLUTION, on Feb. 22, 1910. Evening. aac

WISCONSIN.

no. (1) MENOMONIE: Letter dated Nov. 6, 1909. From FRANK C. JACKSON, Chairman of Committee of Group 1 of Wisconsin

WISCONSIN --- continued.

Bankers' Association. To address GROUP I OF WISCONSIN BANKERS' ASSOCIATION and COMMERCIAL CLUB OF MENOMONIE at annual meeting on Jan. 14, 1910. Dinner, evening. Declined

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LIST OF INVITATIONS THAT HAVE BEEN DECLINED, AND OTHER MISCELLANEOUS MATTERS NOT DIRECTLY CONNECTED WITH SENATOR ALDRICH'S SPEAKING TOUR.

CALIFORNIA.

Ackd general 27

SAN FRANCISCO: Letters dated Aug. 11 and Oct. 30, 1909. From F. B. ANDERSON, Bank of California. Encloses resolutions inviting National Monetary Commission to conduct hearings and make investigations in San Francisco and other cities of the Pacific Coast.

MASSACHUSETTS.

Declined 28

BOSTON: Letter dated Sept. 15, 1909. From HERBERT D. HEATHFIELD (Boston Safe Dep. & Trust Co.), President Bank Officers' Assn. of Boston. To address BANK OFFICERS' ASSOCIATION OF BOSTON at its meeting in October, 1909. **Declined.**

Declined 30

BOSTON: Invitation referred to in telegram of Senator Aldrich sent from Minneapolis, Nov. 12, 1909, to S. L. BARTLETT, Secretary Commercial Club of Boston. To address COMMERCIAL CLUB OF BOSTON. Declined.

Declined 29

BOSTON: Letter dated Nov. 24, 1909. From ADDISON L. WINSHIP, Civic Secretary, Boston City Club. To address BOSTON CITY CLUB on Thursday, Dec. 9, 1909. **Declined.**

SOUTH CAROLINA.

Ackd general 26

BARNWELL: Letter dated Oct. 27, 1909. From Judge ROBERT ALDRICH, Barnwell. Personal invitation to Senator Aldrich to visit Judge Aldrich on the Senator's trip to Macon, Ga.

THE CURRENCY QUESTION.

The tour of the country ~~XXXXXXXXX~~ recently made by Senator Aldrich, and his discussion of financial questions before commercial bodies of the principal cities, will undoubtedly be fraught with much good for the country at large and do much towards crystallizing public sentiment in favor of prompt and efficient measures being adopted, to place the banking business of the country upon a sound and satisfactory basis. And in view of the approaching session of Congress, ~~XX~~ was timely, as well, for if the thinking men in the various communities could be induced to act upon his suggestion and become actively interested in the subject, confer with our legislators and fortify and support them in an effort to bring the question before Congress at the earliest possible moment, there is no reason why it could not within a reasonable time be disposed of in a manner that would place our financial affairs on a sound business basis and insure us against these periodical "flurries" that seem to be repeated with great regularity, and will no doubt continue to ~~XXXXX~~ be repeated from time to time until the root of the evil is reached and remedied.

As that eminent financier, John Sherman, said of the Resumption of Specie Payments: "the way to resume is to resume," and so it could be said of our financial farce---the way to settle it is to settle it, and permit the business interests of the country to enjoy a rest upon the subject.

With the numerous object lessons we have had during the past 15 or 20 years, and the several "campaigns of education" that have been thrust upon us within that time, together with the investigations of the Monetary Commission, there is certainly no lack of experience or information upon the subject, and our lawmakers are no doubt as well prepared to deal with the subject now as they ever will be. Another thing; the complexion of Congress necessarily changes materially within a few years, and if delayed the new members will have to learn it all over again.

The work of 1908, by which a co[illegible]sion was reached in the passage of the VREELAND-ALDRICH BILL ~~XXXXXXXXX XXXXXX~~ was a step in the right direction, and with a few finishing strokes to popularize it with the banks and smooth out some of its defects and inconsistencies would in my humble opinion create the very best system that could possibly be devised for the ever growing demands of the vast and constantly increasing business interests of the country. It is in the right direction for the reason that it is along the lines of the best "emergency currency" for the uses of this country that was ever invented.---and one that has at several critical periods, such as 1873---1884---1893---1907---saved the country from utter ruin; viz, the "Clearing House Certificate". For emergency purposes and panic preventive, as well as "elasticity" (which is one and the same thing) the nearer the Act aforesaid can be made to approach the Clearing House Certificate the more perfect, useful and reliable it will become. The result of such a system will be that each centre; no matter how small or how large, or how varying its necessities may be, will be prepared to promptly provide for any and all financial contingencies that may arise without regard to conditions that may exist elsewhere, and do it efficiently and effectively.

The Clearing House Certificate is no longer an experiment, and the only thing that remains is to perfect it in a manner that would enable it to be used in times of stringency; not only as the means of settling balances between banks (its only use up to this time) but for general circulation and legal tender for all obligations. With that feature added it would certainly be ideal for all active money periods, and to my mind nothing better or more effective could possibly be devised.

In the first place it would be absolutely well secured by collateral securities, well known in each community where such money may be issued, and passed upon and approved by competent men well qualified for the purpose. Secondly, their payment would be automatically provided for in the redemption of the collateral pledged for their payment. And if the banks using that class of currency were required to pay a fair rate of interest on the amount put out by them, it can be relied upon that so soon as it became unprofitable it would be promptly retired. Thus that much discussed and much desired "elasticity" would be secured in a manner most effective and satisfactory in every respect, and to my mind, perfect elasticity, in this country at least, can be secured in no other way.

With the present circulating medium of about $35. per capita, aggregating the enormous sum of $3,150,000,000 and increasing at the rate of about $100,000,000 per annum, the supply of currency under ordinary conditions is ample and will no doubt continue so. To provide for extraordinary conditions, therefore, is all that is needed at this time. In attaining ideal conditions in that respect, obstacles will of course be met with, but they are by no means insurmountable. In the first place it is generally conceded that any scheme for general use throughout the country should be under Government control---and it certainly should be. We are then confronted with the proposition that probably all clearing house associations are composed of both National and State Banks. The latter of course not being under Government control. Could it not be arranged, therefore, by uniform State laws that deposits by State Banks members of a clearing house association, to a certain extent at least, with National Banks of the same association, could be counted as reserve by the State Banks, and in consideration thereof be permitted in times of stringency, upon proper deposit of collateral security, to call upon their respective National Bank depositories for their share of currency, and for which they would pay the same rate of interest as may be required of the National Banks; and therefore the same inducement for its retirement. when no longer needed.

As an illustration of how that would work out practically, I am reminded of the very serious panic among the trust companies of this city in the latter part of October, 1903; which fortunately did not spread to the banks, however. In that case the trust companies were not members of the Clearing House Association, but in order to secure the benefits thereof, kept a large part of their reserves on deposit with the National Banks of the Clearing House, and through that means their checks were cleared in the same manner as bank checks. Therefore during the run on the trust companies by their depositors, they not only called upon the banks for their balances but were advanced large sums in addition, and by that means passed through the crisis very successfully, and in some cases without even calling in any of their demand loans.

Had an association existed here such as contemplated by the present law, by which the banks, on deposit of proper security, could secure currency, assistance could have been rendered immediately and freely, and the panic among the trust companies ended at once. And aside from that, the knowledge of the fact that such resources, and power to prevent panics were possessed by the banks would inspire confidence generally and thus the cause of panics---lack of confidence---would disappear entirely.

At any rate means should be devised for utilizing Clearing House Associations for the purpose as far as possible as they exist today, rather than require new associations by National Banks exclusively to be formed as contemplated by the recent act of Congress upon that subject, which as we all know, has fallen flat, and so far found few responses from the National Banks of the country.

This is caused chiefly from the fact that the banks themselves practically have no voice in the formation of such association; for any National Bank, whether considered desirable or not, located at a point where an association is being formed is entitled to membership and cannot be excluded, and perhaps its worst feature is that when once in, there is no means of withdrawing from the association. The method of taxation and interest charges are also considered objectionable, as well as other defects that must be cured, before it will receive the support and cooperation of National Banks generally.

Important members of all clearing house associations as now organized, are State institutions, and as the intent and purpose of such a law should be "the greatest good to the greatest number" they should by some means be included. Furthermore, the failure of one or more prominent State Banks might offset the protection afforded the National Banks and cause general disaster.

As before stated; the present law is in the right direction, however, and with a few modifications can be put in good working order, and when thoroughly tried out and tested, will no doubt prove to be a complete preventive for panics and give general satisfaction. And certainly on a better basis and far more effective for the purpose than the so-called "credit currency" as proposed by the American Bankers' Assn., which has no specific security behind it and a nominal rate of interest only, which would cause it to be elastic in one direction only. For when once out, a large part of it would no doubt remain outstanding indefinitely. The proposed guaranty too would no doubt work out something like the "Oklahoma Bank Deposit Guaranty," which has again shown us, that a guaranty does not always guarantee.

Mr. Aldrich is very careful to state that his mind is perfectly open upon the subject and that he is not committed to any plan whatever. In fact he is modest enough to say that he does not believe he could form a plan that would answer the purpose. It is very apparent, however, that he would not be averse to the Central Bank idea. He has certainly given much thought in that direction, and evidently doing all he can to induce others to think about it.

In foreign countries of comparatively small area and practically one central point only, one central bank has been found to be all-sufficient; all-powerful, and eminently successful. But is this not largely due to the training of their people, who for a century or more, have known nothing else, and without question bow down to the dictates of the bank. And in that respect would not the independent spirit of the masses with their well known antagonism towards anythinng and everything in the nature of centralization have the reverse effect in this country? Aside from that, however, suppose we were considering the subject seriously, where would the bank be located? We now have at least half a dozen well defined centres and others coming on, and all very largely independent of each other, with more or less rivalry between them. It has long since been conceded that branch banking is not suitable for the needs and upbuilding of this country, therefore we would have to be contented with one big central bank and rely upon it to take care of our panics and all other financial ills, as well as the finances of the government. And if any particular section of the country should be in distress financially it would simply have to await the pleasure of the bank for relief, and then owing to the distance it might arrive too late. For instance suppose the bank were located in Boston; would its managers feel especially interested in building up the territory tributary to San Francisco, or could a panic be controlled at that distance? Most certainly not, and it would simply have to rage and burn itself out as the great fire did. The main feature argued in its favor is that it has been tried and found to be a success in Europe. Well, we happen to know of an assortment of crowned heads that have been more or less successful over there, but who would think of attempting to set them up in the same occupation on this side of the water?

No matter in what manner we view it therefore, it is un-American, unwieldy, impractical and impossible for the uses of this great and growing country of magnificent distances, and it would no doubt be found that the only thing American about it would be politics and graft.

It is scarcely within the range of possibilities, however, that the democratic tendencies of the people of this country will ever consent to adopt that child of royalty; the one central bank, so if Mr. Fowler and his following who seem to have so much feeling upon the subject could be induced to lessen their ardor in fighting the Central Bank idea, and devote their time and energies to improving the present law and put it in good practical working order, we would then soon have our financial troubles behind us.

Summing up, therefore, in active money periods the members of the various clearing house associations should, on the deposit of proper security, and under careful restrictions, be authorized to issue bills in payment of deposits, or other demands upon them. Or, if the State Bank membership in such associations can not be overcome, then remove the objectionable features of the present law and through that means secure the cooperation of all National Banks at clearing house points. This would put an end to the periodical suspension of clearing house banks; any one of which--provided its assets are good---can at any time receive prompt and efficient relief. Panics would cease, because they would die a bornin, and the business interests of the country move along serenely from year to year without fear of difficulty from that source.

Is such an ideal condition not worth striving for? It is up to Congress to give it to us.

Wm. C. Little

File under
American Bankers Assn

LIST OF ALTERNATES.

J. B. Forgan, Pres't First Nat'l Bank, Chicago, Ills., or

J. T. Talbert, 1st Vice-Pres't Commercial Nat'l Bank, Chicago, or

Geo. M. Reynolds, Pres't Continental Nat'l Bank, Chicago.

John B. Ramsay, Pres't Nat'l Mechanics Bank, Baltimore,Md.

SOUTHERN GROUP

Gen. J. W. Whiting, Mobile, Ala.

Although Gen. Whiting is the President of the Peoples Bank, a State Bank, he is the leading banker in Mobile, and is believed to be exceptionally well qualified all around for discussing and handling a matter of this kind.

A. Baldwin, Jr., V.P. New Orleans National Bank, New Orleans, La., or

C. M. Whitney, Vice-Pres't Whitney-Central Nat'l Bank, New Orlaans.

Bion H. Barnett, Vice-Pres't BarnettNational Bank, Jacksonville,Fla.

W. P. G. Harding, Pres't First National Bank, Birmingham, Ala.

A. M. Baldwin, Pres't First Nat'l Bank, Montgomery, Ala.

M. F. Backus, Pres't Seattle Nat'l Bank, Seattle, Wash'n.

E. H. Bailey, Pres't First Nat'l Bank, St. Paul, Minn.

Wm. H. Dunwoody, Prest. Northwestern Nat'l Bank, Minneapolis, Minn.

E. C. McDougal, Pres't Bank of Buffalo, Buffalo, N. Y.

A. L. Ordean, Pres't First Nat'l Bank, Duluth, Minn.

AMENDMENT.

The allotment for Printing and Binding for Congress is hereby made available for the printing as public documents of such of the publications of the National Monetary Commission as the Commission may designate. And the superintendent of documents is hereby authorized to order reprinted, from time to time, such public documents of the National Monetary Commission as may be required for sale:

Provided, That the appropriation for printing and binding shall be reimbursed for the cost of such reprints from the moneys received by the superintendent of documents from the sale of public documents.

H. R. 18282.

Making appropriations to supply urgent deficiencies in appropriations for the fiscal year nineteen hundred and ten, and for other purposes.

A M E N D M E N T .

On page 29, at the end of line 18, add the following:

The allotment for printing and binding for Congress is hereby made available for the printing under the existing law and rules as public documents of such of the publications of the National Monetary Commission as the Commission may designate. And the superintendent of documents is hereby authorized to order reprinted, from time to time, such public documents of the National Monetary Commission as may be required for sale. Provided, That the appropriation for printing and binding shall be reimbursed for the cost of such reprints from the moneys received by the superintendent of documents from the sale of public documents.

The Chamber of Commerce of San Francisco

ORGANIZED 1850

RESOLUTION

ADOPTED BY THE BOARD OF TRUSTEES

AUGUST 11, 1909.

---oOo---

WHEREAS, the National Monetary Commission is now engaged in the study of currency problems, with the purpose of proposing reform in the monetary system of the United States, and has been making investigations in various countries of Europe and in parts of the United States and

WHEREAS, the methods in vogue on the Pacific Coast and the habits and customs of the people here have developed along lines differing, in some respects, from those of other localities of the United States, now therefore be it

RESOLVED, that The Chamber of Commerce of San Francisco respectfully urges these conditions upon the attention of the National Monetary Commission and earnestly requests the Honorable Members of said Commission to hold sessions for the investigation of these conditions in the City of San Francisco, as well as in other cities of the Pacific Coast, and be it further

RESOLVED, that a Committee of three be appointed to bring this matter properly before the members of the National Monetary Commission, and to that end that they put themselves in communication with the representative commercial and business associations of this city to secure the co-operation of the latter.

ATTEST: THE CHAMBER OF COMMERCE OF SAN FRANCISCO.

James McNab
President.

C. W. Burks
Secretary.

San Francisco, August 11, 1909.

WHEREAS, the National Monetary Commission is now engaged in the study of currency problems, with the purpose of proposing reform in the monetary system of the United States, and has been making investigations in various countries of Europe and in parts of the United States; and

WHEREAS, the methods in vogue on the Pacific Coast and the habits and customs of the people here have developed along lines differing, in some respects, from those of other localities of the United States,

Now, therefore, be it

RESOLVED: That The Merchants Association of San Francisco respectfully urges these conditions upon the attention of the National Monetary Commission and earnestly requests the Honorable Members of said Commission to hold sessions for the investigation of these conditions in the City of San Francisco, as well as in other cities of the Pacific Coast.

And be it further

RESOLVED: That a committee of The Merchants Association of San Francisco be appointed to bring this matter properly before the members of the National Monetary Commission, and to that end that they put themselves in communication with the representative commercial and business associations of this city to secure the co-operation of the latter.

The Merchants Association of San Francisco.

[signature]
President.

New York, Aug. 17

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

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

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

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

New York, Aug. 17.

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

Fallacies of Postal Savings Banks.

Philanthropic or Tyrannical? Undoubtedly the latter. What is the true province of government, but "to protect its citizens in life, liberty and the pursuit of happiness". Our forefathers fought for freedom from governmental tyranny and Thomas Jefferson who penned our constitution was led to exclaim "Agriculture, manufactures, commerce and navigation - the four pillars of our prosperity - are the most thriving when left most free to individual enterprise". Is this land, which has prospered beyond all the nations of all time, to open the door of tyranny by entering into competition with its own worthy citizens in one of the great avenues of nation building? Let us reason together before taking a final plunge into paternalism, the effects of which in the long run palsies human progress.

With all due deference to the good intent of the advocates of Postal Savings Banks for the United States, let us diagnose the case very briefly, with a view to bringing the largest possible prosperity to the nation.

The principal claims for the law are that,

1st It will bring from hiding by distrustful people and by foreigners largely, sums of money now hoarded.

2nd It will provide a safe place for the small depositor's funds.

As to the first proposition, is the conclusion warranted? There are distrustful people in every land that will hoard money, no matter how good the banks or even the Government may be. Witness the French people pulling out of their stockings the one thousand million dollars indemnity paid to Germany after the Franco-Prussian War, and to-day those same people are the greatest hoarders of cash of any progressive nation on earth, notwithstanding France has a Postal Savings Bank. The amount of hoarded money is approximately so small in the United States with its 25,000 banks scattered in every hamlet having any surplus cash, that the subject is almost unworthy of notice. The little steel savings banks are pushing their way into every home in the land, inspiring all to save to the end that "Mony a pickle maks a muckle".

The answer to the second proposition that a safe place to deposit the small savings should be provided, all can say Amen! to that. But the serious end of it is, Why should the United States Government enter into a wholesale competition with its own citizens who are struggling to upbuild the nation?

Is it not a fact that is proved beyond dispute by the statistics, that in all New England, New York and other old states, where large surplus capital has accumulated; where savings banks have more largely developed and where good laws regulating the business have been enacted, that the losses to savings bank depositors have been comparatively infinitesimal since those good laws have found their way into the Statutes?

Where do material losses occur? I have studied the History of Banking in this and other nations; have had nearly half a century of practical experience and I challenge any man to disprove the fact that, in states having good laws regulating the banking business, the losses to depositors are infinitesimal; they are larger in states having lax laws and still greater in states having no laws at all. Occasional exceptions do not disprove the rule. Not a dollar has been lost to a depositor in four years since Wisconsin passed her good banking law.

If this is true, what is the province of government? It is not to enter into a tyrannical competition with its own citizens, but to so regulate the banking laws, that losses to depositors will be reduced to a minimum consistent with human imperfections.

Further, let us await the report of the Congressional Monetary Commission which is evidently making a profound study of monetary science, with the hope that a sound remedy for the prevention of cash suspensions with their train of evils, may be provided. Also with the hope that this report may rival the celebrated Bullion Report of 1810 to the House of Commons.

Is not this reasoning philosophical?

Ah! but there is still another more serious phase of this subject. The European nations have bonded debts for over sixteen thousand million dollars. The nation there taking postal savings from its people, at once places the funds into that government's bonds, thus preventing any wrangling for the pie. What is proposed here? The United States has a bonded debt of about nine hundred million dollars. As the bulk of it is now absorbed as security for national bank circulation, its bonds cannot be had. Suppose - which is not improbable - the postal deposits run up to a thousand million dollars or more. It is proposed to collect this vast sum from the rural districts, as well as in cities, and then re-deposit the proceeds in national banks in the centers, thus doing serious injury to the rural districts, as well as the great centers.

Who dares deny that the scramble for the pie will be the absorbing and soul annoying topic which honest congressman and government officials will gladly avoid, but the political grafter will revel in?

Who dares deny that favoritism will creep in and political pull will hold sway with a swag of a thousand million of dollars or more of the dear peoples' money for investment in various kinds of securities as proposed?

Who dares deny that under panic conditions, cash will be drawn from many banks for deposit in the Postal Savings Bank, and such cash because of slow red tape government movements will not get back into the few banks of deposit and into the channels of commerce that imperative quick relief may be had, therefore panic conditions would be aggravated instead of ameliorated?

Who dares claim that a parallel case can be found in any progressive nation?

The wail of the unemployed of London, the excessive taxes, want of employment, &c., to quite a material extent caused by altogether too much paternalistic, unprofitable competition with its own citizens in many fields; resulting in crushing individual initiative and with it additional employment of labor; a disease, from the blighting effects of which nearly all Europe is now suffering, should warn us that a like fate awaits us if we volunteer to destroy our individual freedom for which our forefathers fought and again substitute governmental tyranny in its stead.

I am no pessimist, but believe it a patriotic duty to sound a warning against enacting into law a fallacy that undoubtedly would be an entering wedge to the paralyzing influences of paternalism, under the guise of philanthropy, when all history teaches paternalism deadens human progress. May our Statesmen not be misled by the alluring fallacy, but may the truthful maxim uttered by Thomas Jefferson prevail, to the end that our wonderful progress be not dimmed.

Waukesha, Wisconsin. Andrew J. Frame.

February 19, 1909.

Oct 4/09

PUBLICATIONS OF THE NATIONAL MONETARY COMMISSION

****

I - MISCELLANEOUS

Interviews on the Banking and Currency Systems of England, France, Germany and Switzerland. (434 pages - R) Held open for addition 1

The Credit of Nations, by Francis W. Hirst. (23 pages - galley)

Articles: The Discount System in Europe, by Paul M. Warburg. (43 pages - C)

Bank Acceptances, by Lawrence Merton Jacobs. (18 pages - C) Page proof

II - UNITED STATES

Statistics for the United States, 1867 - 1909. (1-232A - R)

Digest of State Banking Laws, by S. A. Welldon. (Galley, ___ pages, R)

The Use of Credit Instruments in Payments in the United States, by David Kinley. (62 pages - galley)

The First Bank of the United States, by J. T. Holdsworth. (146 pages - R)

History of the National Bank Currency, by Alexander Dana Noyes. (20 pages - C)

The Safety Fund Banking System in New York State from 1829 - 1866, by R. E. Chaddock. (170 pages - R)

III - CANADA

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

IV - ENGLAND

Statistics for Great Britain, 1867-1908, prepared by Sir R. H. Inglis Palgrave, F.R.S., and "The Economist". (35 pages - galley)

Statistics of the Bank of England, prepared by Sir R. H. Inglis Palgrave, F.R.S. (~~over 60 pages - R~~) 64 pages proof

The English Banking System, by Hartley Withers. (150 pages - R) ?

London Bankers' Clearing House, by R. M. Holland. (11 pages - galley)

V - FRANCE

Evolution of Credit and Banks in France, from the founding of the Bank of France until the present time, by Andre Liesse. (271 pages - C)

The Bank of France in its relations to National and International Credit, by Maurice Patron. (187 pages - R)

French Statistics, furnished by the Credit Lyonnais. (26 pages - Galley)

The History and Methods of the Paris Bourse, by E. Vidal. (65 pages - Galley)

French Savings and their Influence upon the Bank of France and upon French Banks, by Alfred Neymarck. (19 pages, R)

VI - BELGIUM

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

VII - GERMANY

Statistics for Germany, 1870 - 1908, prepared by Dr. B. Breslauer. ~~(56 pages - Galley)~~ 107 Page proof

The Great German Banks and their Concentration in connection with the Economic Development of Germany, by Dr. J. Riesser. (68 pages - Galley)

The Reichsbank, 1876-1900. (Jubilaumsschrift) (355 pages - C(?)

German Imperial Banking Laws, edited by Dr. R. Koch. (65 pages - Galley)

Miscellaneous Articles on German Banking. (Covering the organization of credit, directors' fees, the land mortgage associations, the savings banks, the co-operative societies, etc.) ~~(93 pages - Galley)~~ (Page proof - 263)

In Re: Renewal of Reichsbank Charter. (Including articles covering the renewal of the charter and discussions of this subject in bankers' conventions and elsewhere, with a draft of the bill) (82 pages - Galley)

The German Bank Inquiry of 1908: Stenographic Reports. (1140 pages - R)

Selected Documents on Bourse Legislature. (33 pages - Galley)

Development of the German Banking System, by Robert Franz. (111 pages - C)

VIII - SWITZERLAND

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

IX - MEXICO

The Banking System in Mexico, by Charles A. Conant. (68 pages - Galley)

Oct 4/09

DOCUMENTS IN PRINT AT GOVERNMENT PRINTING OFFICE

****

1. List of conferences in London, Paris and Berlin, and all papers and statistics to be prepared for the Commission, corrected up to March 18, 1909.

2. Interviews on the Banking and Currency Systems of England, France, Germany and Switzerland. J.60481, 434 pages.

3. The Credit of Nations, by Francis W. Hirst. J.82300, 1 DS - 23 DS.

4. The Discount System in Europe, by Paul M. Warburg. J.85520, 43 pages.

5. Bank Acceptances, by Lawrence Merton Jacobs. J.85518, 18 pages.

6. Statistics for the United States, 1867-1909. J.72138, 1 - 232 A.

7. Digest of State Banking Laws, by S. A. Welldon. J.72800,

8. The Use of Credit Instruments in Payments in the United States, by David Kinley. J.7071, 1 FF - 62 FF.

9. The First Bank of the United States, by J. T. Holdsworth. J.7069, 146 pages.

10. History of the National Bank Currency, by Alexander Dana Noyes. J.87010, 20 pages.

11. The Safety-Fund Banking System in New York State from 1829-1866, by R.E.Chaddock. J.7221, 170 pages.

12. The History of Banking in Canada, by Roeliff Morton Breckenridge. J.87480, 310 pages.

13. Statistics for Great Britain, 1867-1908, prepared by Sir R.H.Inglis Palgrave, F.R.S., and "The Economist". J.72136, 1 QQ - 35 QQ.

14. Statistics of the Bank of England, prepared by Sir R.H.Inglis Palgrave, F.R.S. J.86496, 1 -

15. The English Banking System, by Hartley Withers. J.76651, 150 pages.

16. London Bankers' Clearing House, by R. M. Holland. J.8755, 1 NK - 11 NK.

17. Evolution of Credit and Banks in France, from the founding of the Bank of France until the present time, by Andre Liesse. J.1971, 271 pages.

18. The Bank of France in its relations to National and International Credit, by Maurice Patron. J.83704,

19. French Statistics, furnished by the Credit Lyonnais. J.83701, 1 HK - 26 HK.

20. The History and Methods of the Paris Bourse, by E. Vidal. J.90312, 1 FV - 65 FV.

21. French Savings and their Influence upon the Bank of France and upon French Banks, by Alfred Neymarck. J.8235,

22. The National Bank of Belgium, by Charles A. Conant. J.85519, 238 pages.

23. Statistics for Germany, 1870-1908, prepared by Dr. B. Breslauer. J.72138, 1 CR - 56 CR.

24. The Great German Banks and their Concentration in connection with the Economic Development of Germany, by Dr. J. Riesser. J.90311, 1 GT - 68 GT.

25. The Reichsbank, 1876-1900. (Jubilaumsschrift) J.82302, 355 pages.

26. German Imperial Banking Laws, edited by Dr. R. Koch. J.83702, 1 FL - 65 FL.

27. Miscellaneous Articles on German Banking. J.77267, 1 DH - 93 DH.

28. In Re: Renewal of Reichsbank Charter. J.83703, 1 AE - 82 AE.

29. The German Bank Inquiry of 1908: Stenographic Reports. J.83713, 1140 pages.

30. Selected Documents on Bourse Legislation and Organization in Germany, by Dr. B. Breslauer. J.3716, 1 FS - 33 FS.

31. Development of the German Banking System, by Robert Franz. J.77271, 111 pages.

32. The Swiss Banking Law, by Dr. Julius Landmann. J.83700, 238 pages.

33. The Banking System in Mexico, by Charles A. Conant. J.8648, 1 BV - 68 BV.

LIST OF INVITATIONS FOR SENATOR ALDRICH TO DELIVER ADDRESSES.

COLORADO:

Colorado Springs - From Wm.F.Slocum, President, Colorado College, to "Winter's Night Club." Date to suit Senator. Declined

ILLINOIS:

Chicago - From Commercial Club - Date Nov. 6. Accepted

IOWA:

Des Moines - From George F. Henry, President, The Grant Club (Republican). Date to suit Senator. Declined

Cedar Rapids - From John Wunderlich, Secretary, Commercial Club. Date to suit Senator. Declined

Fairfield - C.M.Junkin, Publisher "The Ledger." Suggests "summer season" as good time. Declined

Ohio - Akron - Senator Dick

MASSACHUSETTS:

Boston - From H.D.Heathfield, President, Bank Officers' Association of Boston. Date to suit Senator. Declined

MICHIGAN:

Detroit - FromChas.B.Sawyer, Secretary, Board of Commerce. Date to suit Senator.

MINNESOTA:

Winona - From H.M.Kinney, Chairman, Ex.Com.Natl.Assn.Agricultural Implement & Vehicle Manufacturers. Date, Oct.29, at Chicago. Declined Oct 21 by telegram

Minneapolis - From Minneapolis Clearing House Association. Date to suit Senator.

MISSOURI:

Joplin - From Commercial Clubs of Joplin, Webb City, and Carthage, to speak at Joplin. Date to suit Senator.

Kansas City - From F.P.Neal, President, Kansas City Clearing House Association. Date to suit Senator. Accepted by telegram Oct 22/09

Tuesday, Nov. 9.

St.Louis - From Hugh K. Wagner, President, St.Louis Republican Auxiliary. Date, Nov. 9.

Monday Nov 8.

St.Louis - From Commercial Club. Date to suit Senator. accepted by telegram Oct 22/09

NEW YORK:

New York City - From J.Edward Simmons, President, Chamber of Commerce. Date, Nov. 18.

New York City - From Economic Club. Date, Nov.29.

New York City - From N. D. Alling, President, American Institute of Banking, New York City Chapter. Any Thursday evening after middle of October.

WISCONSIN:

Milwaukee - From Wm. Geo. Bruce, Secretary, Merchants & Manufacturers' Association. Date to suit Senator.

November 10, 1909.

The First Bank of the United States.

The Use of Credit Instruments.

Statistics for the United States.

The Safety-Fund Banking System in New York State.

History of the National Bank Currency.

Bank Acceptances.

Interviews on the Bank and Currency Systems.

The History of Banking in Canada.

The English Banking System.

Statistics for the Bank of England.

The Discount System in Europe.

The Bank of France.

French Savings and Their Influence upon the Bank of France and Other French Banks.

Evolution of the Credit and ~~Banking~~ Bank of France.

The Swiss Banking Law.

The National Bank of Belgium.

The Reichsbank.

Miscellaneous Articles on German Banking.

German Imperial Banking Laws.

Statistics for Germany.

Development of the German Banking System.

Banking System of Mexico.

Bailey [illegible] ~~Chart~~

Burrows [illegible] S

~~Padgett~~ 489 [illegible]

Burgess 251 [illegible]

Teller [illegible] 311

Borglum [illegible]

Morey 217 [illegible]

Meeks P.O. [illegible]

Overstreet [illegible]

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ITINERARY OF PRIVATE CAR
"COLUMBIA."

FRIDAY, NOVEMBER 5th:

Leave New York, Penn. R. R. Train No. 25, - - - - - - - -7:55 a. m.

SATURDAY, NOVEMBER 6th:

Arrive Chicago, P. Ft. W. & C. Train No. 13, - - - - -7:30 a. m.

SUNDAY, NOVEMBER 7th:

Leave Chicago, C. & E. I. Train No. 21, - - - - - - - - -11:35 a. m.

Arrive St. Louis, C. & E. I. Train No. 21, - - - - - - 7:35 p. m.

(Monday, Nov. 8, at St. Louis.)

TUESDAY, NOVEMBER 9th:

Leave St. Louis, Missouri Pac. Train No. 7, - - - - - -2:20 a. m.

Arrive Kansas City, Missouri Pac. Train No. 7, - - - - 9:30 a. m.

Leave Kansas City, Missouri Pac. Train No. 105, - - - -10:25 p. m.

or 9.45 am Wednesday reaching Omaha 5.50 pm.

WEDNESDAY, NOVEMBER 10th:

Arriva Omaha, Missouri Pac. Train No. 105, - - - - - - 7:00 a. m.

THURSDAY, NOVEMBER 11th:

Leave Omaha, Ill. Central Train No. 4, - - - - - - - - - 7:30 a. m.

THURSDAY, NOVEMBER 11th -- continued.

Arriva Minneapolis, M. & St. L. Train No. 1, - - - - - - 6:58 p. m.

(Friday, Minneapolis; Saturday, St. Paul.)

SATURDAY, NOVEMBER 13th:

Leave St. Paul, C. M. & St. P. Train No. 10, - - - - - - 10:30 p. m.

SUNDAY, NOVEMBER 14th:

Arrive Chicago - 10 a. m.

MONDAY, NOVEMBER 15th:

Leave Chicago, C. M. & St. P. Train No. 5, - - - - - - - 9:30 a. m.

Arrive Milwaukee - 11:30 a. m.

TUESDAY, NOVEMBER 16th:

Leave Milwaukee, C. M. & St. P. train No. 56, - - - - -4:50 a. m.

Arrive Chicago, C. M. & St. P. Train No. 56, - - - - - 7:00 a. m.

Leave Chicago, Mich. Central Train No. 10, - - - - - - - 10:30 a. m.

A rrive Detroit, Mich. Central train No. 10, - - - - -5:55 p. m.

Leave Detroit, Mich. Central Train No. 14,- - - - - - -10:45 p. m.

WEDNESDAY, NOVEMBER 17th:

A rrive New York, N. Y. Central Train No. 14, - - - - -8:33 p. m.

ITINERARY OF PRIVATE CAR
"COLUMBIA"

FRIDAY NOVEMBER 12th MINNEAPOLIS

On track No. 6 Chicago Milwaukee & St Paul Station until 8 P.M.

SATURDAY NOVEMBER 13th ST PAUL

On track No. 14 Union Station

Leave St Paul 11:00 P.M. Chicago Milwaukee & St Paul train No. 10

(This train is due to leave at 10:30 but will be held until 11 PM or if necessary a few minutes later to accommodate Senator Aldrich)

SUNDAY NOVEMBER 14th

Arrive Milwaukee Chicago Milwaukee & St Paul train No. 10 7:50 AM

(Car to be transfered from Chicago Milwaukee & St Paul to Chicago & Northwester Station)

Leave Milwaukee 9:00 A.M. Chicago & Northwestern train No. 8

Arrive Lake Forest at 10:25 A.M.

Car will be side tracked at Lake Forest at a convenient point and remain till Monday A.M.

Note. Those desiring to spend Sunday in Chicago transfer to Parlor car on Chicago & Northwestern train No. 8 before arrival at Lake Forest and reach Chicago at 11:15 A.M. To rejoin party leave Chicago on Chicago & Northwestern train 19 (Station Wells & Mc Kinzie St) Monday at 8 A.M. This train will pick up "THE COLUMBIA" at Lake Forest.

MONDAY NOVEMBER 15th

Car will be attached to Chicago & Northwestern train 19 leaving Lake Forst at 8:45 A.M.

Arrive Milwaukee at 10:15 A.M.

Leave Milwaukee Chicago & Northwestern Special train about 11 PM

TUESDAY NOVEMBER 16th

Arrive Chicago, Chicago & Northwestern Special train about 1 A.M.

(Car to be delivered to Michigan Central)

Leave Chicago, Michigan Central train 46-12 at 3:00 A.M.

Arrive Detroit 12:25 noon

Leave Detroit Michigan Central train 14 at ~~10:45~~ P.M.

11.53

WEDNESDAY NOVEMBER 17th

Arrive New York, New York Central & Hudson River train#58-5;40 PM

(Car to be transfered from Michigan Central train 14 to New York Central train No. 58 at Buffalo.

Sent out
Tuesday Dec 7/09

Confidential:

This ~~statement~~ is ~~for~~ not to be released for publication ~~in~~ until ~~the~~ afternoon papers of Wednesday, December, 8, 1909.

Arthur B. Shelton
Secretary.

THE MONETARY COMMISSION'S SPECIAL REPORT FROM BANKS.

If banking statistics are a true index to economic conditions, the people of the United States are enjoying a greater measure of prosperity than ever before.

~~SPECIAL REPORT FROM BANKS COMPILED BY MONETARY COMMISSION.~~

investigation recently completed by

~~In~~ An an interesting ~~document just ready for distribution~~ by the National Monetary Commission, is set forth data which will be of the greatest interest to bankers and financiers. The document in question contains a compilation of the special reports of condition, ~~designed~~ designed to throw light upon the monetary situation which were obtained from the banks ~~as of April 28, 1909~~ during the past summer,

~~The information is presented in a series of statistical tables arranged by states and reserve cities for each class of banks, which, it is believed will make the most valuable contribution yet offered to the history of contemporary banking.~~

The reports were designed to exhibit the exact condition of the banks as shown by their books at the close of business April 28, 1909, and they present in detail every item of resources and liabilities pertinent to the subject under investigation.

Practically every incorporated bank in the United States furnished a report for this investigation and reports from a larger percentage of private banking concerns than ever before made public were ~~courteously~~ placed at the disposal of the Commission.

Owing to the difference in the laws of the several states, information relating to banks operating outside of the national system as heretofore furnished the Comptroller of the Currency, by state bank supervisors, could not represent the true conditions of all banks for any stated date, being necessarily of varying dates and of great diversity in detail and form of reports.

For the first time in the history of banking in the United States it has been possible as a result of this inquiry made by the Commission, to present data uniform in charater and date from all institutions engaged in banking throughout the country.

The compilation thus comprises the most complete and comprehensive information relating to banks of the United States ever yet printed.

The banks reporting for this investigation include, 6,893 national; 11,319 state; 1,703 mutual and stock savings; 1,497 private;

and 1,079 loan and trust companies.

The total resources of all these banks ~~is~~ reach approximately 21.1 billion dollars.

A brief analysis of the resources and liabilities shows loans of 11,373 million dollars; investments in bonds etc., 4,614 millions; due from banks 2,562 millions; cash on hand, including 809 millions in gold coin and certificates amounts to 1,452 million dollars; other resources 1,094 millions; capital 1,800 millions; surplus and profits 1,835 millions; due to banks 2,484 millions; deposits 14,106 millions (including government deposits); other liabilities 870 millions.

Of the deposits 6,956 millions are subject to check, 4,926 millions are savings deposits; 1,212 millions are on time and 625 millions consist of demand certificates.

Following the special report from the banks, a supplementary inquiry relating to character of deposits, depositors, interest paid etc., was made by the Commission, to which 18,245 banks responded.

The total deposits in these banks on or about June 30, 1909, were ~~about~~ 13,595 million dollars, credited to over 25 million depositors or deposit accounts, ranging from one dollar upward. Nearly 15 million depositors had savings or time accounts, of which over 8,600,000 were depositors in savings banks.

The average rate of interest paid on savings accounts by the banks is 3.55% and 3.10% on other interest bearing accounts; over 40% of the banks pay no interest on ordinary deposits; over 5 thousand banks pay interest on a deposit of 25 dollars or less and about 12 hundred on sums ranging from 25 dollars up to 500 dollars.

While the number of depositors may appear to be unusually large, it must be borne in mind that doubtless in many instances the same individual may have a checking and a savings deposit account in the same or different institutions, being treated in the report from the bank as two or more depositors. Such duplication, however, may be offset to a great extent by the number of depositors in banks from which returns were not received by the Commission.

The number of banks has more than doubled since 1900 and the Commission's report includes 1,145 more than reported to the Comptroller in 1908.

Resources show an increase of about 8% over 1908; and 95% over the amount reported in 1900; loans have increased 100% in nine years while investments have increased 92%; capital stock has increased by more than 75% since 1900; individual deposits by 93% and total deposits by 94%.

During the current year loans have increased nearly 9%; investments in bonds etc., about 3-3/4% and deposits over 9-1/2% .

BANK RESOURCES OF THE UNITED STATES.

The information is presented in a series of statistical tables arranged by states and reserve cities for each class of banks

~~From statistics compiled by the National Monetary Commission showing the condition of all banks of the United States on April 28, 1909, it is shown that~~ ~~bank resources aggregate $21,095,000,000~~ + the average percapita bank resources for the entire country is $237.24. Geographically stated the banks of the Eastern States have per-capita resources of $450.19; banks of the Western States are ~~fifth~~ with $161.35; those of New England, second ~~third~~ with $433.60; the per-capita resources of the banks of the Pacific States being third with $347.77; Middle Western States fourth $190.64; Southern States $71.19. The state of New York has the largest per-capita bank resources, with $676.07; Massachusette being second with $517.25: Nevada third with $512.72; California, fourth with $486.70; Rhode Island, fifth $457.12. In the Southern States, West Virginia is first with $112.66 bank resources; Louisiana, second with $96.62; Texas third with $90.68; Virginia fourth, with $88.61. In the Middle Western States Illinois is first with $240.39; Missouri second, with $215.50; Iowa third, with $214.78; Ohio fourth, with $203.66. In the Western States Colorado is first, with $250.65; Nebraska second, with $214.92; Montana and Wyoming being next in order, with $207.72 and $207.26 respectively. ~~Island Possessions, Hawaii first with $71.99; Porto Rico second, with $11.24; Philippines third, with population estimated at 8 millions, $2.69~~.

CAPITAL STOCK OF NATIONAL AND OTHER BANKS. ~~of the National Monetary Commission as of April 28~~

A consolidation of the bank reports obtained ~~by the~~ shows that the aggregate amount of the capital stock of the banks of the United States including island possessions is $1,800,036,368, ~~an increase of about 2½ per cent for the year and over 75 per cent above the amount reported on June 30, 1900.~~ The amount invested in capital of banks located in the Eastern States is $581,370,131; in the Middle Western States, $509,622,221; in the Southern States, $297,137,727; in the Pacific States, $149,279,601; in the New England States, $138,499,518; in the Western States, $118,075,127; and in the island possessions, $6,052,043. New York has a larger amount than any other State invested in bank capital, over $263,000,000; Pennsylvania being second ~~next~~ with $229,000,000, Illinois third with $122,000,000, and Ohio fourth with $101,000,000. In the New England States Massachusetts is first with $72,000,000, Connecticut second with $25,000,000, and Rhode Island third with $14,000,000. In the Southern States Texas is first with $57,000,000, Kentucky second with $36,000,000, Georgia third with $31,000,000. Of the Middle Western States, Illinois is first with $122,000,000, Ohio second with $101,000,000, Missouri third with $79,000,000. Of the Western States Kansas is first with $26,000,000, Nebraska second with $25,000,000, Oklahoma third with $19,000,000. Of the Pacific States California is first with $96,000,000, Washington second with $20,000,000, Oregon third with $11,000,000. In the island possessions $3,000,000 is invested in the banks of Hawaii, $1,454,302 in Porto Rico, and $1,532,664 in the Philippines.

~~Combining the returns from national banks as of April 28, 1909, with those obtained from other banks for the same date, gives a total of 22,491 reporting banks with aggregate capital of $1,800,036,368 and aggregate resources of $21,095,054,420.~~

SUMMARY OF REPORTS FROM ~~NATIONAL, STATE, ETC.~~ all BANKS, AS OF APRIL 28, 1909.

[Expressed in millions.]

Classification.	6,893 national banks.	15,598 state, etc., banks.	Total, 22,491 banks.
Loans [a]	$4,987.7	$6,385.5	$11,373.2
United States bonds	740.2	52.6	792.8
All other bonds and securities	864.8	2,956.8	3,821.6
Cash (including national-bank notes)	926.8	525.2	1,452.0
Capital stock	934.0	866.0	1,800.0
Surplus and profits	795.1	1,039.5	1,834.6
Deposits (individual)	4,826.0	9,209.5	14,035.5
Aggregate resources	9,369.9 8	11,726.1	21,096.0 5

[a] Includes mortgages owned.

~~The increase in the aggregate resources of all reporting banks over the resources for the year 1908 is $1,511,600,000.~~ It will ~~also~~ be observed that banks other than national have over 55 per cent of the aggregate resources of all reporting banks; over 65 per cent of individual deposits; and over 56 per cent of the aggregate loans. Of the surplus and profits, 55 per cent is credited to this class of banks, while they have only about 48 per cent of the capital and 36 per cent of the cash holdings of all banks.

Note: For the information of ~~editors~~, there is attached the list of questions sent by the Commission to all the banks of the country.

Manson not used File Contact

February 5, 1910.

Petition March 23

FISCAL SYSTEMS IN EUROPE.

An interesting sidelight on the struggle over the English budget is afforded by a report made public by the National Monetary Commission on "Fiscal Systems of the United States, England, France, and Germany." The document was written by Mr. J. O. Manson, chief of division in the Treasury, and is the result of a personal visit by him to the capitals of the three important European countries. In the case of each country an account is given of the manner of making up the estimates, the method in which they are considered in the legislative body, and the court or officials who have charge of auditing and checking accounts.

In the case of Great Britain, it is set forth by Mr. Manson that at the beginning of December of each year, or as soon after as practicable, the several departments forward to the Treasury estimates of the amounts required to meet the expenditure in the ensuing fiscal year. These estimates, after revision and approval by the Treasury, are presented to the House of Commons as soon as possible after the meeting of Parliament. The supply estimates are divided into votes (or chapters), and the House grants the money by votes or chapters, -- a separate vote on each chapter.

Early in each fiscal year the Chancellor of the Exchequer in his budget speech submits to the House of Commons in "committee of ways and means" a review of the receipts and expenditures of the past year, and gives a general and explanatory statement with regard to the estimated expenditure for the ensuing year, and of the anticipated revenue to meet the same.

After the Chancellor of the Exchequer has made his statement, resolutions are passed in "committee of ways and means," granting for the ensuing year the duties and taxes which it is the custom to fix annually, and declaring it expedient to alter any others with regard to which a change is proposed. The substance of these resolutions is then embodied in the finance bill. The "committee of supply" is then appointed for a future day; and it is ordered that the several estimates presented to the House of Commons during the then current session be referred to that committee.

The House of Commons discusses the estimates in "committee of supply," and from time to time passes resolutions granting to His Majesty the sums necessary to defray the expenditure of the several services in the ensuing year. Resolutions are also passed granting the moneys required to cover the supplementary estimates for the current year, and the excess of expenditure, if any, on the grants of the preceding year. The resolutions passed in "committee of supply" are then reported to the House.

When the first report of the "committee of supply" has been received by the House, and agreed to, a day is appointed for the House to resolve itself into a committee "to consider of ways and means for raising the supply granted to His Majesty," or, as it is briefly denominated, "the committee of ways and means."

The "committee of ways and means" gives practical effect to the resolutions in "committee of supply" by voting grants from time to time out of the "consolidated fund" toward making good the supply granted to His Majesty. The resolutions passed by the "committee of ways and means" are incorporated in bills which when passed into law are termed "consolidated fund act."

In France the Minister of Finance applies in October to his colleagues for the estimates of their respective departments and, having received them, himself adjusts estimated expenditure to estimated revenue. The Chambers vote every year the taxes necessary to support the government and fix the amount of public expenditure by a law which is ordinarily called the budget. This law fixes the amount of the direct taxes for the whole of France and apportions it among the departments. In Germany the Federal Council makes recommendations relative to the changes to be proposed in taxation and the Imperial Secretary of the Treasury prepares estimates of the revenues and expenditures of the empire, which are presented by the Imperial Chancellor to the German Diet.

It appears that in all these countries the central bank of issue renders large services to the government in the handling of funds. In Great Britain collectors report weekly the amount and source from which collections are made, and remit to their respective departments the whole of the moneys in hand except a small balance, -- any fractional part of fifty pounds (£50). Moneys are generally remitted through the Bank of England, Bank of Ireland, or banks approved by the directing authority of each department.

The Bank of England, its branches, and other depositary banks do not pay interest on the public deposits placed therein. However, they render valuable services to the Treasury and other departments by transferring, free of expense, public funds from one agent or place to another as they may be needed to meet expenditures.

In France the Bank of France is a depository of the government, in which is placed the balance of public funds in excess of the amount needed for transacting the public business in Treasury offices under the control of the Minister of Finance. There is a branch of this bank in the principal town of each of the 86 departments of France, through which the Treasury makes transfers of the public moneys to and from the offices of the treasurers-payeur-general, as may be required, and without expense to the government. The general direction of the movement of funds is in direct and constant communication with the treasurers-payeur-general, who, without its authorization, may not make any payment nor dispose of any public moneys for any purpose whatever.

In Germany the public funds may be transferred from one cash office to another by order of the Treasury to meet public requirements. Such transactions are usually effected by exchange through the Reichsbank, or Imperial Bank, and its branches, one of which is located in each city where there is a cash office of the empire. The transfer is made without expense to the Imperial Treasury. The Reichsbank is a special depository of the Treasury. In the performance of this function, it is the custodian of the excess of the general balance not required in the chief cash offices of the Treasury located in the different states; and when on special occasions it is necessary to anticipate the revenues by the issue of short term Treasury bills (or exchequer bills), the bank usually discounts such bills, placing the proceeds to the credit of the Imperial Treasury. The funds are transferred from the bank to the chief cash offices as may be required by the Imperial Treasury.

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March 21, 1910.

THE GERMAN BANK INQUIRY OF 1908.

How Germany met the crisis of 1907 and how she has improved her banking laws to meet future crises was the subject of a special inquiry by a commission, whose hearings have been translated and published by the National Monetary Commission. The German commission consisted of twenty-four members and was a thoroughly representative body, including leading bankers, merchants, landed proprietors, and professors of political science. They took evidence from nearly two hundred authorities, whose testimony was reported, and they themselves engaged in a discussion which forms one of the most interesting portions of their report.

This investigation being based upon very recent experience and its results having been embodied in a revision of the banking law, presents many points of special interest in the present discussion of monetary reform in the United States. Some complaints were heard in Germany over the fact that during the crisis the Imperial Bank was compelled to raise its discount rate to 7½ per cent. This was a condition so abnormal in Europe that it was declared by one of the members of the commission, Mr. Fischer, chairman of the Chamber of kommerce of Reutlingen, to have been, "in the eyes of the public, nothing short of usury." The comparative financial isolation of Germany, as a result of the hostile feeling against her in France, found an echo in the declaration of Freiherr Von Gamp Massaunen, a member of the Reichstag, that "in times of difficulty, the Bank of France always rushes to the rescue of the Bank of England by furnishing it gold, a thing that the German Bank can, of course, not reckon upon."

Among the questions most seriously discussed was whether a charge should be made in what is known in Germany as the note contingent, or the limit of notes which may be issued upon a reserve of one-third in gold without paying a special tax. This limit of uncovered issues was, at the time of the inquiry, 472,829,000 marks ($112,500,000). It was ultimately raised, as the result of the investigation, to 550,000,000 marks, with a new provision, not previously known to the law, for an additional issue of 200,000,000 marks ($47,500,000) during the last week of each quarter. Above these amounts there is always a considerable issue covered in full by gold, but when notes are issued without the gold cover, the tax of five per cent. becomes operative. ~~xxxxx~~ The question of raising the contingent, and even of abolishing it altogether, was discussed with much learning and acumen by the eminent economists, Dr. Adolph Wagner, of the University of Berlin, Dr. Jacob Riesser, of the University of Berlin, Dr. Lexis, of the University of Gottingen, and the practical banking members of the commission. It was pointed out by several members of the commission that the demand for capital was not necessarily related, so directly to the demand for circulation that a rise in the rate of discount went always hand in hand with the necessity for an increased issue of notes. It was contended by Dr. Wagner that the existence of a limit of contingent issue had an injurious effect rather than a beneficial one. He declared that "this so-called danger signal comes at the wrong place and at the wrong time and that its effect is too acute." Distrust, he declared, was spread abroad as soon as the note reserve came to fall off more and more and people began to say that before long the Reichsbank would be obliged, because of the falling off of the note reserve, to take still more strenuous measures in raising the rate of discount. In this way it might even happen that shipments of gold from abroad were held back until the ~~xxxxx~~ rate of discount should be higher. If Germany had, like France, a maximum note circulation which was not usually attained, there would remain at critical times a large scope for extended issues of notes and the granting of credit. It was noteworthy that the Bank of France had, throughout its existence, been free from such restrictions and that it was one of the functions of the bank administration to determine the relation between the quantity of notes and the cash funds. One of the evil effects of a fixed issue which was recalled by Dr. Wagner, was that when the Peel act was suspended in England in 1857, an event of which Dr. Wagner had personal recollection, the cry was heard from the Continental press that the step was equivalent to the suspension of specie payments, simply because the Bank of England was allowed, on the responsibility of the ministry, to issue uncovered notes beyond the legal limit.

Accepting the decision of the majority, however, that the contingent would be retained, Dr. Wagner supported the suggestion that, in addition to xxxx raising the contingent to 550,000,000 marks, it be raised still higher at the much-discussed quarterly periods, for at such times there may be a greater need of credit, and it is precisely then that the chief function of the central bank of issue comes into play. He suggested, therefore, that the contingent of uncovered and untaxed notes be allowed at such times to exceed by 100,000,000 or even 200,000,000 marks the authorized limit at other times.

In this suggestion, Dr. Wagner adopted the proposal made by a practical banker, Mr. Arthur Fischel, of Mendelssohn & Company of Berlin. Mr. Fischel expressed a preference for abolishing the fixed limit and for requiring a gold reserve which should always equal one-third of the amount of notes, with the proviso that if the reserve was less than two-thirds, the additional issues should be subject to tax. He did not consider a change altogether wise, however, under existing conditions, except in the extension of the untaxed issue at the quarter ends. He considered it true that when the issues of the bank crossed the limit of the untaxed circulation, it constituted a danger signal, and he would not admit that the frequent sounding of the signal should dull the sense of danger. He declared on this point:

"If we have had in the last years such a frequent overstepping of the note contingent, this has happened precisely because we have been in an altogether abnormal situation in point of economic development as well as in point of the condition of our circulation and the condition of the Reichsbank, and it was actually beneficial for us to receive frequent warnings. The danger signal, therefore, I would retain, but I question whether this danger signal does not often sound at the wrong time. If we say that we must be able to have a certain quantity of uncovered notes in circulation, we ought to keep in mind that at the quarterly periods the demand upon the currency is much greater than it is at other times, for an overstepping of the limit at these periods is nothing abnormal, while at other times it should be regarded as abnormal."

The character of loans made by the bank, and their relation to the circulating capital of the country, was raised by Mr. Roland-Lucke, a former director of the Deutsche Bank. He declared that the most important point in all the statements that had been brought before the commission was the solemn assurance of the president of the Reichsbank that in the future the bank would confine itself in its discount operations, even more than in the past, to receiving legitimate business bills, -- that is, economically justified fluid bills. Continuing the discussion on this subject, he said:

"Gentlemen, it seems to me that many of you do not sufficiently appreciate the importance of this declaration. Even if our whole inquiry should appear to have no success at all in forming outside opinion, I should consider that it had achieved a tremendous success if it should have at least the effect of strengthening the Reichsbank administration in carrying out this assurance of theirs. Gentlemen, if the Reichsbank keeps to this principle you have won everything that you could, in any practical sense, possibly desire. You have, to begin with, the necessary influence upon the whole activity of the Reichsbank. A bank or a banker will hardly be inclined to replenish the portfolios to any great extent with such bills as cannot be accepted by the Reichsbank. But you not only get the desired moderation of the banker in treacherous times, you get also the desired moderation of the banker in point of the number and the kind of customers whose drafts he will accept."

The duties of the Imperial Bank to the country came under discussion from time to time and the difference between its obligations and those of a private bank. Even the latter, it was insisted by Dr. Riesser, were not without the obligation of considering economic interests. "I have always insisted," he declared, "that even the directors of a private bank occupy an official position and do not merely carry on a business; that is to say, that they have not merely to consider private business interests, but that in every transaction they are bound not only to consider its bearings upon their business affairs, but to keep in sight its economic aspects in connection with the economic situation of the country."

Duplicate

March 2, 1910.

THE CENTRAL BANK IN SWITZERLAND.

Special interest attaches to the monograph about to be made public by the National Monetary Commission on "The Swiss Banking Law," because Switzerland is the last country in Europe ~~to~~ ~~have~~ which has adopted the system of a central bank. The act authorizing this institution became law on October 6, 1905, and the bank began operations only in the summer of 1907, on the eve of the panic. Prior to the adoption of the Swiss law, the Belgian law of 1850 was considered so far a model for a central bank that it was largely followed in the reorganization of the Bank of The Netherlands in 1864 and the organization of the Bank of Japan in 1882. In those particulars relating to note circulation, reserves, and limitation to commercial business, the new Swiss National Bank does not differ essentially from the Bank of Belgium, but there are differences in the character of ownership and government supervision which are likely to receive careful study in case a bill is framed for a central bank in the United States. A monograph on the Swiss banking law was prepared for the National Monetary Commission by Dr. Julius Landmann, who has made a life-long study of banking, and who followed carefully the transition from the system of isolated and independent banks in Switzerland to the present system of a central bank. ¶ The failure of the general law of 1881 and of the clearing arrangements made by the banks in 1882 was emphasized by the fear in 1887 that France would be plunged into war and that the banks would be no longer able to obtain an adequate supply of coin from their powerful neighbor. A circular issued by the Federal Finance Department of Switzerland on March 1, 1887, requested the banks "to make endeavors to reduce the note circulation and at the same time to strengthen their holdings of cash, so as to have enough funds in case unexpected events should make it impossible to obtain specie from France." Thus the Swiss banks, instead of coming to the aid of the market, as the Bank of England or the Bank of France would have done, began the contraction of loans and the hoarding of currency, until the situation was relieved by the news that the Bundesrat had resolved on the issue of Federal exchequer bills in the event that the panic did not subside.

These experiences led to an earnest demand for a central bank, which was so generally supported in Switzerland that in April, 1890, the Swiss Workmen's Assembly announced that if the government did not take up the subject, the Swiss Labor Federation would undertake to collect the 50,000 signatures necessary to secure the submission of a constitutional amendment to the people. Hence came the vote of 231,578 in October, 1891, in favor of revising the constitution so as to permit the creation of a central bank, against an adverse vote of 158,615, or a majority of about 73,000 votes.

It required the entire period from 1891 to 1905 to perfect a bill acceptable on the one hand to the business community and on the other to that element of state socialism in Switzerland which demanded rigid official control and part ownership of the bank by the government. Finally, however, the act of 1905 was agreed upon and was so generally acceptable that the effort to obtain a referendum, in the hope of defeating it at the polls, failed to obtain the necessary number of signatures and the bank entered upon its functions. These functions were limited, so far as the character of business was concerned, to substantially the same as those of the National Bank of Belgium and other institutions dealing only in commercial banking. The enumeration of these functions include the power of note issue; the discounting of bills on Switzerland for not more than three months and bearing at least two signatures; the purchase and sale of bills and checks on foreign countries which are on a metallic basis; the granting of loans for not more than three months against securities, but not including stocks; the acceptance of deposits without interest; transfer and clearing business; the purchase of government obligations, but only for the purpose of temporary investment; dealing in the precious metals; the custody of valuables; the acceptance of applications for Swiss Government loans on commission, but without participation in the subscription; and transaction of the financial business of the Confederation.

The issue of notes by the Swiss National Bank is not subject to any fixed maximum, nor to any tax upon the circulation as a whole, nor upon the uncovered circulation above a fixed limit, as in the case of the German Reichsbank. The National Bank is thus placed in a position to increase or decrease the amount of its note issues without regard to any considerations other than those relating to the requirements of business. Bank-notes are ~~to be~~ issued in denominations of 50, 100, 500, and 1,000 francs. The issue of 20-franc notes may, in extraordinary cases, be temporarily permitted by the Bundesrat. Unconditional and immediate redemption of its notes, in legal tender, in unlimited quantity, is required of the National Bank at its seat at Berne only; at all other branch offices and agencies immediate redemption is required only so far as the cash holdings of the branch or agency and its own need of cash permit; but in no case shall there be more delay in redemption than is necessary for obtaining the cash from the central office. Contrary to the terms of the English Bank Act and in accordance with article 39 of the Federal Constitution, the notes of the Swiss National Bank are not given the quality of legal tender. With the exception of times of war, only the National Bank itself and the public offices of the Federal Treasury are obliged to accept these notes at their face value. The requirements of the bank act concerning the cover for the notes place more rigid obligations upon the National Bank than institutions such as the Bank of England, or the German Reichsbank; for while in the case of those banks the law regulates only the manner of covering the notes, the Swiss bank act prescribes not only this, but also the manner of covering short time liabilities.

The metallic cover for the notes must amount to at least 40 per cent. of the circulation and shall consist of legal tender, gold in bars, or foreign gold coins. For the remaining 60 per cent. not covered by metal there must be a cover consisting either of Swiss discount bills or foreign bills.

In addition to the foregoing the National Bank is obliged to keep all short time liabilities (i.e., liabilities falling due or demandable within ten days) covered by their equivalent in legal tender, gold bars or foreign gold coins, Swiss discount bills or foreign bills.

While the note circulation is not directly taxed, the monopoly of issue granted to the National Bank is not conferred without compensations. The Confederation confers upon the Swiss National Bank, for a period of twenty years in the first instance, the sole right of issuing bank-notes, which privilege belongs to the Confederation exclusively according to article 39 of the Federal Constitution. In return for the grant of this monopoly the National Bank undertakes to fulfil the duties assigned to it by the law, and further, by way of concession tax, to make an annual payment to the Confederation, which, in turn, is obliged to distribute the amount of this payment to the cantons. The mode of calculating this amount is set forth in article 28 of the law; after the expiration of a fifteen years' transition period it will be 80 centimes per head of the Swiss population, as fixed by the last previous census.

The concession tax represents the return, fixed in advance, which is to be given by the National Bank for the bank-note monopoly transferred to it by the state; and a further consideration for the granting of this monopoly is to be found in the co-operation and supervision of the Confederation provided for in the constitution of the bank and in the participation of the Confederation and the cantons in the net profits.

As regards participation in the net profits, the law lays down the following rules: Of the annual earnings shown in the profit and loss account, 10 per cent., -- but in no case more than 500,000 francs, -- shall be transferred to surplus, until the surplus shall have reached a total equal to 30 per cent. of the bank's share capital. Next, a dividend of 4 per cent. on the share capital is to be paid out. After this the cantonal indemnity is to be handed over as a concession tax to the Confederation. Of any remaining net profits two-thirds go to the cantons and one-third to the Confederation.

The capital of the National Swiss Bank is 50,000,000 francs ($9,650,000), divided into 100,000 shares of 500 francs each. Two-fifths of the capital was reserved for subscription by the cantons in proportion to their population. One-fifth was reserved for the independent banks of issue in the ratio of their authorized issues. The remainder was offered for public subscription, but subscription was limited to Swiss citizens and corporations.

Unlike the great central banks of issue of foreign countries, as, for instance, the German Reichsbank or the Bank of France, the Swiss National Bank has no actual central seat; there exist only seats of the various bank authorities. Neither the Zurich nor the

Berne office is under the immediate management of the Direktorium of the National Bank; those offices have, like all the other branch offices, their own management. Among the branch offices there is no distinction of chief office and subordinate office; they are all co-ordinate and have the same degree of independence; and these branch offices, grouped together under a uniform management and control, constitute the National Bank.

The legal and administrative seat of the National Bank is at Berne. The general meetings of the shareholders, the sittings of the bank council, and as a rule also the meetings of the bank committee, take place at Berne. The seat of the board of management (Direktorium) of the National Bank is at Zurich.

The National Bank is authorized to acquire, by private treaty, such existing banks as carry on business similar to its own (consequently chiefly existing banks of issue) and, after the liquidation of such business as is inappropriate for the National Bank, to continue them as branch offices.

The governing authorities of the bank include the general meeting of the shareholders, which usually takes place only once a year; the bank council; the bank committee; the local committees, with audit commissions; the general board of management and the local managements. The chief power of the meeting of the shareholders, apart from receiving the annual reports, is the election of 15 members of the bank council. This council is composed of 40 members, of whom the other 25 are elected by the Bundesrat, all for the period of one year. The bank council meets at least once every quarter. It exercises direct supervision over the bank through the bank committee, which consists of the president and vice-president of the council and five other members elected for a term of four years. It also nominates the local committees and submits proposals to the Bundesrat respecting the choice of members of the directorate and of the local managements. The Direktorium, or board of managing officers, consists of three members, whose functions are divided between three departments, -- the department of discount and transfer, the department of general control, and the department of note issue. The first two of these members are located at Zurich; the head of the note-issuing department, who also has charge of the cash holdings and of transactions with the Federal authorities and the Federal railways, makes his headquarters at Berne. Each local office is under the charge of a manager and a sub-manager, appointed for a period of six years by the Bundesrat. Officials and employees of the central administration whose salary is above 4,000 francs ($772) are chosen by the bank committee; officials receiving smaller salaries are chosen directly by the management.

In the transition from the old system of independent note issue to the system of a central bank, it was provided that the local banks should withdraw their circulation within three years from the beginning of the actual operation of the National Bank. At the expiration of this period, which will soon arrive, the National Bank accepts the obligation, on its own behalf and on behalf of its legal successors, to cash any of the notes of the banks of issue that may still be in circulation, within the following thirty years. In the case of banks that have handed over to the National Bank the cash equivalent of their outstanding bank-notes prior to the expiration of the three years the National Bank accepts the above obligation from the day of receiving the cash equivalent in question. At the expiration of the thirty years above mentioned, the obligation of redeeming the old notes ceases to exist and the cash equivalent of the notes not presented for redemption goes to the Federal invalid fund.

Duplicate

THE REICHSBANK AND THE GERMAN MONEY MARKET.

An exposition of the part which the Reichsbank, or Imperial Bank of Germany, plays in the regulation of the German money market, is made in the interesting monograph on "Development of the German Banking System" by Robert Franz, editor of "Der Deutsche Oekonomist," which has just been made public by the National Monetary Commission. One of the striking facts brought out is the part which the Reichsbank really plays as a clearing house, through the transfer of funds between its clients at its many branches and between the joint-stock banks, which keep accounts at the Reichsbank for the purpose of clearing and rediscounts. The total volume of bank transfers (giro transactions) is recorded in Germany and shows a remarkable growth within recent years. In 1888 the amount of such transfers reached 63,825 million marks ($15,500,000,000). The amount increased by about 50 per cent. in the next seven years, standing for 1895 at 93,698 million marks. The next five years developed a growth up to 1900 of 163,632 million marks. The year 1905 witnessed a further development to 222,137 million marks; 1906, 245,622 million marks; and 1907, 260,657 million marks (about $63,000,000,000). This amount was only about 35 per cent. less than the clearings at New York in the same year and only about 15 per cent. less than the clearings at New York in the year 1908. In addition to these facilities of settling transactions through the Reichsbank, clearing houses existed in Germany, but their operations are less important than in some countries by reason of the operations through the central bank. In reference to the character of these transfer accounts kept at the Reichsbank, Herr Franz declares that statistical investigation demonstrates a considerable increase in the volume of transfer transactions within the more recent years, accompanied by a larger use of the deposits on the part of the giro depositors. It appears particularly that the average of balances on giro account has increased far less than the average volume of transfers from and to these accounts. The Reichsbank, therefore, during the fall of 1906 felt compelled to adopt new requirements for its minimum deposits. It was proven that while the average amount of giro deposits had increased 34 per cent. within the decade 1898-1907, the volume of transfers on account of these deposits had grown 88 per cent. during the same period.

It is true that the bank pays no interest on these deposits, regarding the free use of ~~the deposits~~ them as the equivalent for the expense caused by the transfer operations on account of these deposits. But with the growth in volume of these operations the expenses of the bank also increase, and the requirement of the bank of an adequate minimum limit of deposits seems therefore fully justified. Another, though less important, reason which made the change desirable was that by increasing these minimum requirements the operating basis of the bank was strengthened, in the sense that an increase of giro deposits was tantamount to a strengthening of its cash reserves, which in turn enabled it to increase its note circulation by the threefold amount of such increase. It is but proper to mention in this connection that the giro accounts need not be fully made in the form of specie. As a matter of fact, these accounts quite often are the result of credit operations, in case, for instance, the values of discounted bills or of loans upon collateral are not paid in cash, but merely credited to the respective accounts.

The average balances on transfer accounts have declined from 30,456 marks (about $7,500) in 1892, to 20,707 marks (about $5,000) in 1907. The great increase in rapidity of transactions, however, is indicated by the fact that the average volume of transactions per account, which in 1892 was 7,792,676marks, had increased in 1907 to 10,693,695 marks.

The largest participant in the transfer transactions of the Reichsbank is the banking world. On March 31, 1908, the distribution of the giro accounts of private concerns was as follows: Industry and trade, 27 per cent.; commerce, transportation, and insurance, 13.8 per cent.; money and credit(banks, private bankers, etc.), 52.6 per cent. (the per cent. share of banking corporations alone was 36.1 per cent.); corporate bodies, foundations, private individuals, etc., 6 per cent.; agriculture and allied industries, 0.8 per cent.

The banking interests also secure the largest proportion of discounts. This, however, does not imply that the bills presented to the Reichsbank for discounting by money and banking circles had their origin in all cases in the field of finance and banking. The general rule of the Reichsbank is to discount only such bills of exchange as are in fact genuine mercantile bills of exchange and to exclude from its portfolio the so-called credit and financial bills -- that is, bills which are not based on bona fide business transactions. There is a very good reason for this. The bill based upon a real money claim is in a measure a security in itself. It is secured ultimately by business capital already in existence, and through being discounted it discharges the economic function of liquidating the portion of the producer's capital contained in the sold goods. By means of bills the capital fixed in economic goods is released and becomes available for fresh use, beginning with the time when these goods are transferred from the producer to the consumer or the manufacturer.

The difference between a "mercantile" and a "financial" bill of exchange is, however, not sufficiently patent to preclude any mistake in individual cases. It was only about 1907 that the Reichsbank began to make special efforts to eliminate from its holdings all bills which could not be properly classed under the first head. For the rest, the large share of discounted bills credited to "finance and banking" is accounted for by the fact that the great majority of bills are discounted by the Reichsbank after having been handled first by the credit banks.

The proportion of foreign bills of exchange to the total bills holdings of the Reichsbank has increased considerably in recent years. The average holdings in 1907 were 44,461,000 marks ($11,000,000), and the total amount of foreign bills purchased during the year was 268,119,000 marks ($65,000,000). It was recognized that adequate holdings of foreign bills are an excellent means for the continuous regulation of the balance of payments with foreign countries, and accordingly the Reichsbank, particularly since the early part of 1908, has given increased attention to this class of business. Whenever the rates of exchange are favorable the bank increases as much as possible its holdings of foreign bills. When, on the contrary, the balance of international payments is unfavorable, as shown by higher exchange rates, the Reichsbank offers to sell foreign bills. It thus prevents or delays a further increase in the rate of exchange and actual gold exports. This policy forms an effective supplement to a rational discount policy and hitherto has been pursued most successfully by the Austro-Hungarian Bank and the National Bank of Belgium. It goes without saying that the foreign exchange business requires a special organization and a careful choice of material, as it is naturally more difficult to ascertain the solidity of foreign than domestic bills and losses are more easily incurred in handling foreign bills.

B Reichsbank Copy 2 Duplicate

January 21, 1910.

HOW THE GERMAN BANK PROTECTS COMMERCE.

The manner in which the Reichsbank, or Imperial Bank of Germany, endeavors to aid German commerce and to hold the balance even between different types of borrowers, is brought out in a terse manner in an official report, made public to-day by the National Monetary Commission, of an interview between Senator Aldrich and his associates of the Commission in the summer of 1908 with two of the leading officials of the Reichsbank, -- Herr Dr. von Glasenapp, Vice-President, and Herr Dr. von Lumm, Director. Searching questions were asked by Senator Aldrich and his associates of the Commission, to which the officers of the bank made brief but instructive replies. Discussing the question of the character of the business of the bank, it was declared "the Reichsbank is not only a bank for banks, but for the commercial and industrial enterprises of the empire." It was declared, however, that the law prescribes exactly the kind of bills the bank may take. They must not exceed three months in time and there must be on the bill the names of at least two parties known to be solvent. Discussing the uniformity of discount rates at the bank, the following colloquy occurred:

"Q. Would a customer in a little town in South Germany get his bill discounted at 4 per cent. to-day?

"A. Yes; and at every branch of the Reichsbank.

"Q. Could anyone get a lower rate than 4 per cent.?

"A. No; the Reichsbank has only one rate of discount. There was a time when the Reichsbank did a similar business to that which the Bank of England does now, i. e., that they would purchase in the market prime bills at a more favorable rate, but in 1896 it was decided to have but one rate for everybody.

"Q. Please state the reason for the change of policy.

"A. The most important reason was that it was thought that a great central institution like the Reichsbank, with its tasks and duties to the whole of the community, ought not to make a distinction of any class, or make an exception in favor of anyone. It is the policy of the bank to serve all alike.

"Q. Was there any question on the part of the other banks as to the competition of the Reichsbank and was this change of policy made because of any agitation?

"A. No; there were no complaints by private banks. The lowest bank rate was still higher than the rate of the other banks.

"Q. Is the Reichsbank disposed to favor every application for discount or loans if the character of the offering be satisfactory?

"A. It is their duty to listen to everyone who comes for accommodation, whether he has an account or not. The principle of the Reichsbank is not to serve a part of the community, but the whole. The Reichsbank is for everybody."

How the government is aided with temporary accommodation to tide over periods of deficient revenue was set forth as follows:

"The government deposits treasury bills with us for safe-keeping. They also deposit funds with us as a private firm or bank might do. If they withdraw or their credit runs low we usually purchase from them treasury bills, crediting their account with the proceeds.

"Q. What rate do they bear?

"A. They do not bear a fixed rate, but are discounted as any other bills.

"Q. Is there an exception made in the rate to the government?

"A. No.

"Q. To any other institution or person?

"A. No.

"Q. What are the relations of the German Government to the bank in the conduct of its business; what is required of the bank?

"A. First, the bank has to regulate the circulation of money, and, second, it has to handle the Giro or transfer business and to make payments for the government as well as to receive the sums due to the same, wherever branches of the Reichsbank exist.

"Q. Does the government deposit in the different branches of the Reichsbank?

"A. Yes. Every department of the government has its own account and is treated the same as any other customer. The Reichsbank is the fiscal agent of the Imperial Government and they do everything that is required without compensation. Without being obliged, the Reichsbank might head a syndicate for taking over a government loan."

On the question of the contingent note issue, under a special tax of five per cent., which has attracted so much attention in the United States, the policy of the bank in supplying the market with the amount of notes required, without regard to the discount rate to the public, was discussed between Senator Aldrich and his associates on the one side and the bank officers on the other, as follows:

"Q. Do you always charge a higher rate of discount for bills when you have a large amount of taxed notes outstanding?

"A. No. On occasions the Reichsbank has not increased its rate of discount above 5 per cent. At times we have discounted even at 3 per cent., when we have had to pay a tax of 5 per cent.

"Q. It has been suggested to us as a matter of policy in times of stress that it would be better for you to add the 5 per cent. tax to the rate of discount.

"A. The Reichsbank must be considered in the first place as a public institution which has to take care of the public interest, and that it is secondarily a money-making institution.

"Q. Is there any connection between the rate of discount and the issue of taxed notes; in other words, could there be a condition of affairs where the rate was $6\frac{1}{2}$ per cent. and there were no taxed notes outstanding?

"A. Yes. That has happened. The fact of the Reichsbank having to pay a tax at certain times does not in itself influence the rate of discount. The directors decide whether in their judgment the conditions warrant or require the raising of the rate."

It was further explained by the officers of the Reichsbank that foreign bills of exchange could be used as a part of the security for note issue, but the notes were never treated as an asset. Upon this point the following colloquy occurred:

"Q. According to your weekly statement you carry none of your own notes as an asset?

"A. No.

"Q. They are merely held here and in your branches in store and only regarded as issued when paid out?

"A. Yes; they are considered as issued only when out of our possession.

"Q. But a note in the hands of the Deutsche Bank would be an issued note?

"A. Yes.

"Q. What is the system of bookkeeping, if a man deposits today a Reichsbank note of 100 marks?

"A. The Reichsbank would credit the man 100 marks and deduct 100 marks from circulation.

"Q. The item, "Issues of other banks," are those the notes of the four other banks of issue?

"A. Yes."

Upon the measure which is relied upon so largely by the European banks to protect the gold stock of the country, the question what steps were taken at the time of the panic of 1907 led to the following discussion:

"Q. You must have taken some steps to add to your gold at that time. What steps did you take?

"A. We increased the rate of discount. We consider that this measure is the only effective one.

"Q. How high was the rate at that time?

"A. Seven and one-half per cent.

"Q. If this increase had not been sufficient, you would have further increased the rate?

"A. Yes.

"Q. Do you also loan money without interest to people who are importing gold?

"A. Yes, that is done. We make advances without interest to importers for the time the gold is in transit; we do that even in times when the ordinary gold import point is not reached.

"Q. Are there any other steps taken to increase the import?

"A. Well, besides granting loans without interest on gold imports, we may raise at such times our tariff for the purchase of foreign gold coins, as the Bank of England does.

"Q. Pay a higher price?

"A. Yes; but this is not important. The real remedy is to raise the rate of discount, besides selling a certain amount of foreign bills."

February 7, 1910.

USE OF CHECKS BY FARMERS AND LABORERS.

One of the interesting phases of the report just made public by the National Monetary Commission on "The Use of Credit Instruments in Payments in the United States," by Dr. David Kinley, of the University of Illinois, is the analysis of the employment of checks and similar instruments of credit by farmers and laborers. The deposits in national banks by retail dealers on a selected date, March 16, 1909, showed that outside of reserve cities under the national banking law the retail deposits aggregated $36,255,308, of which $24,929,620, or 68.7 per cent., was in checks. An examination of retail deposits in five agricultural states, leaving out cities of more than 25,000 inhabitants, indicated that checks are used more generally by farmers in making their payments than is sometimes supposed. The five states selected were Illinois, Iowa, Kansas, Nebraska, and Texas. Out of total retail deposits in these states amounting to $4,894,181, the proportion of checks was 72.8 per cent.; currency, 21.8 per cent.; and specie, 5.4 per cent. The percentage in each state, in the order of the highest ratio of checks was Nebraska, 78.5 per cent.; Iowa, 75.2 per cent.; Kansas, 74.4 per cent.; Illinois, 70.5 per cent.; and Texas, 68.5 per cent. Other states, like North Dakota and South Dakota, in which there are no large cities, show a similar condition of affairs. It is declared by Dr. Kinley that there has been a great change in this respect since the hard times of 1890-1896. Farmers who then had no surplus now have bank accounts, and there has been a notable increase in deposit banking and therefore in payments by means of checks.

Among wage-earners the proportion of checks received and paid out is influenced in a considerable degree by the character of the pay-rolls of large industrial establishments. In order to determine the ratio of checks used, examination was made of the returns from indistrial cities like Lawrence, Fall River, Lowell, and Brockton, Mass.; Paterson, N. J.; and Pawtucket, R. I. It was found that the proportion of checks in retail deposits in those places is well up with the average of the general tables. Taking the returns from the national banks alone, Lawrence showed a percentage of 63 in total deposits of $72,198; Fall River 80.7 per cent. of checks in deposits of $110,589; Lowell 69 per cent. in deposits of $79,567; Brockton shows 46.4 per cent. of checks in a total of $26,407; Paterson shows 52.6 per cent. in a total of $78,373.

These percentages are high for cities where the number of wage-earners is so ~~high~~ large. It is to be considered, however, that it is the proportion of purchases thus paid for that is dealt with, and not the number of people who purchase. Again, each place is the center of a large district and the deposits of the merchants represent thousands of dollars of sales to people outside of the cities proper. Moreover, one fact brought out by the returns may be significant of the use of checks by wage-earners themselves.

The mutual savings banks are commonly regarded as the banks of the poor man, particularly the wage-earner. But the mutual savings banks in Lawrence show 41.9 per cent. of their total receipts, on the day in question, in checks. Those of Lowell had 44 per cent. in checks. But these high percentages are due in each case to the high ratio in one bank. On the other hand, of the deposits in the mutual savings banks in Fall River, only 4 per cent. were in checks. Each of these deposits aggregated less than $8,000.

In order to test still further the character of payments to workers in the mills and factories, tables of wage payments for the week ending March 13, 1909, were furnished by the banks in reply to the question asking them to send in the amount of pay-rolls made in cash and in checks respectively. The returns from the national banks were by far the most important. The returns were compiled from 4,306 national banks showing that pay-rolls amounting to $68,192,646 were made up in cash and $24,856,532 in checks. The percentages are 73.3 and 26.7, respectively. The largest percentage of checks, 95.2, was in Montana, and it will be noticed that the percentages run highest in the states of Arizona, Colorado, Idaho, Kansas, Minnesota, Montana, Nevada, New Mexico, North Dakota, Oklahoma, Oregon, South Dakota, Utah, and Washington. These are, in general, agricultural states. The industrial states of Connecticut, Massachusetts, New Jersey, Pennsylvania, and Rhode Island show a very small proportion of wage payments by checks.

The amount of pay-rolls reported and the percentage of payments by check in the leading industrial states were as follows: Massachusetts, $8,760,233, of which checks formed 2.2 per cent.; Connecticut, $2,148,363, checks, 3.4 per cent.; Rhode Island, $502,531, checks, 1.1 per cent.; New York, $10,253,924, checks, 18.3 per cent.; Pennsylvania, $14,932,534, checks, 10.2 per cent.; and New Jersey, $2,363,092, checks, 19.1 per cent.

The returns of the state banks show pay-rolls aggregating $18,369,746 in cash and $12,564,519 in checks, the former being 61 per cent. and the latter 39 per cent. The amount paid in checks through the state banks is half that shown by the national banks, while the amount paid in cash is about one-fourth. In the state bank returns the check percentages run highest in Arizona, Idaho, Iowa, Kansas, Minnesota, Montana, Nebraska, Nevada, North Dakota, Oklahoma, Oregon, South Dakota, Texas, and Washington. The lowest percentages are shown by the industrial states, as in the preceding group, -- Connecticut, Delaware, Massachusetts, New Hampshire, New Jersey, and Rhode Island. The last-named state shows only 0.2 per cent. of its pay-rolls in checks; New Hampshire has 7.2 per cent., and the other states classed here as industrial come in between.

Discussing the general significance of these figures, the following conclusions are drawn by Dr. Kinley:

"Of course there is no way of knowing how many people are represented in this wage payment, for doubtless salaries of officers are included as well as wages. The figures show, however, that a large number of wage-earners of the country are accustomed to receive payment by check, and that this custom predominates in agricultural rather than in industrial sections of the country. This is in keeping with the showing made by all the other tables that the proportion of checks in country payments is high. The showing made by the table is evidence of the fact that large numbers of wage-earners at any rate receive checks, whether they draw them or not. If they receive them, they must cash them. In some cases, unquestionably, the pay check will be deposited to the account of the recipient and he will draw his own checks. In the large majority of cases, however, the probability is that these checks are turned into the stores or cashed at the banks. There is some reason to think that in some places they are largely cashed in saloons. Nevertheless, they swell the volume of business done by checks to the extent to which they are used in paying bills, and to the degree that they promote the use of bank accounts and checks by the wage-earners themselves. There is no way of making any allowance for these items.

"The common belief is that wage-earners do not use checks in making payments to any extent worth mentioning. This is probably true if by wage-earners is meant the manual laborers. People in clerical positions, with no larger income than many manual laborers, are users of checks to a degree as large proportionally as wealthy people. The manual laborer is in another class in this respect. He is usually paid by the week, or, at any rate, by the month. Some states, indeed, now require weekly payments. In so far as they do the amount which each person receives is smaller than if the wage period were longer. The wages received, therefore, are usually too small to be the basis of a bank account. The banks, it is urged, do not want such accounts. This statement, however, must be taken with many grains of allowance, especially in the smaller places. Many banks in small places are glad to get all accounts, however small."

that law was, for 72 joint-stock banks £3,478,230 ($16,956,000), and for 207 private banks, £5,153,417 ($25,123,000). By reason of the provisions of the law in regard to the lapsing of circulation under certain conditions, the local banks now having an authorized circulation outside the Bank of England include only 11 joint-stock banks, with authorized issues of £721,746 and 11 private banks, with authorized issues of £449,799, making a total of £1,171,545 ($5,711,300). The amount actually in circulation is much less than this, having been for five weeks ending November 6, 1909, only £198,019 for the 11 joint-stock banks and £99,164 for the 11 private banks, making a total of £297,183 ($1,448,800). A recent bank merger, which has not yet become effective, will still further reduce the authorized issues of the local banks.

All the remaining note circulation of England and Wales is provided by the Bank of England, which is authorized to issue upon securities to the amount of £18,450,000, and had an average circulation for the month ending November 10, 1909, including that covered by gold, of £28,971,046 ($141,234,000).

In Scotland there are eight joint-stock banks issuing notes, of which the legal limit not fully covered by gold is £2,676,350, and the average circulation during the four weeks ending October 16, 1909, was £7,046,757 ($34,352,900). The heads of these banks usually confer as to their policy and the entire Scotch system is operated largely upon the principle of cooperation.

In Ireland there are six banks of issue, having an authorized circulation of £6,354,494 and having an average circulation during the four weeks ending October 16, 1909, of £7,248,333 ($35,135,600).

In Germany the law of 1875, which converted the Bank of Prussia into the Reichsbank (or Imperial Bank of Germany), left intact under certain restrictions the circulation of the existing banks of the other German states. There were at that time 32 banks of issue, besides the Bank of Prussia, but 15 of these abandoned at once the right of note issue. The authorized circulation of the banks which continued to issue notes remained at 111,125,000 marks ($26,391,600), but these institutions gradually surrendered the right of issue to the Reichsbank, until the number issuing notes had fallen at the beginning of 1908 to four, with a limit of authorized circulation of 68,771,000 marks ($16,333,000). The authorized issue of the Imperial Bank, not required to be fully covered by gold, is 550,000,000 marks and the actual circulation on December 16, 1909, was 1,556,396,000 marks ($369,644,000).

In Sweden, prior to 1897, there were 27 private banks of issue. By the law of May 12, 1897, provision was made for the gradual absorption of the circulation of these banks by the Royal Bank, which had long been the strongest Swedish bank of issue. Those banks surrendering their circulation promptly were given special privileges in regard to rediscounts. The result was the reduction of the circulation of the private banks on January 1, 1907, to 18,478,273 crowns ($4,951,500), when the Royal Bank had a circulation of 203,757,814 crowns ($54,606,000). The circulation of the private banks has since practically disappeared.

In Switzerland the present National Swiss Bank began business in the summer of 1907. The state banks of issue, which numbered about 30 prior to the law of 1906, were required to surrender a certain percentage of their notes quarterly, over a period ending June 20, 1910, when the entire circulation will be concentrated in the National Bank. The circulation of the National Bank on December 15, 1909, was 215,000,000 francs ($41,500,000), while that of the local banks was only 26,000,000 francs ($5,018,000).

In Greece, the circulation prior to 1899 was divided among three banks, but one of these was absorbed in that year by the National Bank. The Ionian Bank, with a circulation of about 10,000,000 drachmas ($1,930,000), will lose its privilege of note issue to the National Bank on the expiration of its existing franchise on April 25, 1920. The circulation of the National Bank on October 31, 1909, was 133,000,000 drachmas ($25,670,000).

The only sovereign powers in Europe which have not a central bank are Montenegro, with a population of about 230,000; the Republic of San Marino, in the Italian mountains, with a population of 11,500; and Monaco, with a population of 15,000. Scotland and Ireland, while not having an avowed central bank, are, of course, not sovereign and depend in emergencies upon the Bank of England.

Duplicate

May 9, 1910.

HISTORY OF CRISES UNDER THE NATIONAL BANKING SYSTEM.

The most complete summary of the banking history of the great crises of 1873, 1884, 1893, and 1907 which has yet been prepared is embodied in a monograph by Professor O. M. W. Sprague of Harvard University, which has just been made public by the National Monetary Commission. Professor Sprague not only enters into a careful analysis, covering several hundred pages of the banking and financial history of these events, but presents also in an appendix several of the most authoritative articles which have heretofore been written on these subjects by Secretaries of the Treasury and Comptrollers of the Currency and by such specialists as Mr. A. D. Noyes, of the New York Evening Post, Dr. A. Piatt Andrew, now Director of the Mint, and the Chairman of the New York Clearing House Committee.

The account of the crisis of 1907 will naturally attract the greatest interest among bankers, because of the recent date of the event and the manner in which Professor Sprague lays bare defects in the existing monetary system. He declares that all the banks, judged by the average of the preceding half-dozen years, were in a normal condition of strength and that those outside of New York and St. Louis were in a slightly stronger condition in 1907 than in 1906. The upward tendency of loans was not so marked in New York as in the case of the banks in general. The $408,000,000 of New York bank loans in 1897 was nearly 20 per cent. of all the loans of the national banks; while the $712,000,000 in 1907 was just above 15 per cent. of the total. The increase in the deposits of state banks and trust companies, however, held by the national banks of New York was striking and might well have been considered alarming. In ten years, from 1897 to 1907, the net deposits due national banks by those of New York increased from $155,000,000 to $213,800,000, while net deposits due to state banks, trust companies, etc., increased from $75,900,000 to $196,300,000. From a little more than one-third the aggregate of bankers' deposits in 1897, the deposits due to state institutions had become in 1907 almost equal to those due to the national banks. The ease with which the growth of the trust companies made possible the shifting of tens of millions of loans and deposit liabilities seems to have obscured the essential unsoundness of the situation.

If, for any reason, it should become necessary for the trust companies to contract their banking operations, it would obviously be necessary for the national banks to shoulder the burden in order to save the local situation. There was also the element of outside loans, estimated in 1906 to amount to at least $300,000,000. The outside banks, it is declared, feel no responsibility for the course of the market. They will naturally withdraw from it when affairs at home require more of their funds or when they come to distrust the future. It therefore becomes necessary for the local banks in the money centre to be able at all times to shoulder at least a part of the loans which may be liquidated by outside banks and also to supply the cash which is thus drawn away.

Taking up the relation between the New York banks themselves, Professor Sprague points out that the seven leading banks controlled in 1873 only about 30 per cent. of the resources of all the New York national banks. In 1907 the six principal banks, -- the City, Commerce, First, Park, Chase and Hanover, -- controlled over 60 per cent. of the total. Their cash reserve had increased from less than two-fifths to about two-thirds of that held by all the banks. The net obligation of these six banks to other bankers on August 22, 1907, was $304,200,000 out of a net obligation for the thirty-eight national banks of the city of $410,200,000. The only certain resources for banks holding large bankers' deposits is a large cash reserve, and that was as conspicuously lacking in 1907 as it had been in 1873. In both years net bankers' deposits were more than twice the cash reserves of these banks and their proportion of cash to net deposits was but slightly above the 25 per cent. required by law. The total cash reserve of all banks was $218,800,000, of which the six leading banks held $140,700,000. It is declared that as few of the trust companies held cash reserves, in receiving deposits from them the banks were assuming a risk of a particularly explosive character; but they did not on this account maintain reserves proportionately greater than those held in former years.

After a lively account of the failure of the Morse banks and the run upon certain trust companies, it is declared that but for the powerful influence of Mr. J. P. Morgan, it is probable that no united action whatever would have been taken, and that "it is certainly an element of weakness in our central money market that influential credit institutions should have to be dragooned into doing what is after all in their own interest as well as to the general advantage." When it was decided to issue loan certificates and to suspend cash payments, it was in pursuance of a tradition which is an ever present source of weakness and which can only be broken by successful endurance by the banks of the strain of a crisis.

The opinion is expressed that there can be little doubt that the seriousness of the general economic situation was greatly exaggerated by observers in New York. Evidence of this conclusion is found in the limited number of banking failures which occurred and the short duration of general business depression contrasted with either 1873 or 1893. In the actual management of the crisis it is argued that resumption of cash payments was delayed unnecessarily and that the additional money secured after suspension served no useful purpose. Nowhere throughout the country was there any considerable increase in national bank loans except in New York, where they increased by $63,000,000, -- from $712,000,000 to $775,000,000. In every previous period of financial strain the New York banks had been able to contract loans somewhat. In 1907 the trust company situation compelled them to liquidate loans wherever possible and the outside banks followed the same course.

One of the lessons drawn by Professor Sprague from the experiences of national banks is the absence of liquidness in call loans. Out of a total loan increase of $63,000,000 call loans account for $54,000,000. The only kind of loan which was reduced at all was one of the varieties of commercial loan, -- the time loan on paper with a single individual or firm name. The opinion is ventured that a New York bank would be in a better position to meet an amergency if all its loans were upon commercial paper, than it is under existing circumstances, though, of course, it would not then be in position to slide along just above the 25 per cent. requirement in normal times.

In his final conclusions on the lessons of the crisis, Professor Sprague declares:

"Somewhere in the banking system of a country there should be a reserve of lending power, and it should be found in its central money market. Ability in New York to increase loans and to meet the demands of depositors for money would have allayed every panic since the establishment of the national banking system. Provision for such reserve power may doubtless be made in a number of different ways. This investigation will have served its purpose if in showing the causes and consequences of its absence in the past it brings home to the reader the need not only of this reserve power, but also of the readiness to use it in future emergencies."

A Reichsbank

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HOW GERMANY ATTAINED A CENTRAL BANK.

An account of the manner in which the German Empire unified the note circulation, as a part of the system of bringing about greater cohesion in financial as well as political matters after the war with France, is set forth in one of the monographs which has just been submitted to Congress by the National Monetary Commission. This monograph is a translation into English of the elaborate study published by the Reichsbank upon the completion of the first twenty-five years of its existence as a central bank for the empire in the year 1900. There existed in Germany before the foundation of the empire thirty-one banks of issue, for which various regulations had been made by the various states and the statutes of which differed considerably from one another. It is stated in the document just submitted to Congress that a large number of these banks were concerned with utilizing most extensively the right of issuing notes, -- that is, with putting as many notes as possible into circulation. Since notes for smaller sums were not returned for payment so often as those for larger amounts, not only the different governments, but the banks also, issued large large amounts of small notes, down to a denomination as low as one taler. Since the legal control of note issue was frequently inadequate, many banks did not provide sufficient cover for notes. The banks also engaged to some extent in business which tied up permanently their working capital. This was not proper for banks, the liabilities of which consist of obligations, such as notes, falling due at all times.

Owing to the impossibility of bringing about uniform regulations for German banks of issue, several German states attempted through prohibitive measures to keep out of their territory the notes of banks licensed by other states. These prohibitions were not strictly observed in general trade, but were authoritative for all public treasuries and were regarded by the public as great inconveniences.

Immediately after the conclusion of peace with France, the German Government took up the question of monetary and banking reform. It was necessary, before a uniform banking system could be put in operation, to bring about uniformity in the coinage system. This was accomplished by the act of July 9, 1873, which contained also some new regulations providing for the withdrawal of government notes in the various states and the substitution of bank-notes. Upon the latter point it was provided:

"All bank-notes not based on the imperial standard are to be withdrawn by January 1, 1876. After this date only notes for amounts of not less than 100 marks and based on the imperial standard may remain in circulation or be issued."

In respect to the unification of the banking system, difficulties were encountered arising from the privileges with regard to the issue of notes possessed by the existing banks of the different states. How the reform was gradually worked out is described in the monograph issued by the Reichsbank as follows:

"A direct abolition of these note privileges was, from the very beginning, considered out of the question. The only possible course was to decree uniform regulations of a general nature, which would cause the banks to limit duly the number of their branches, to reduce their note circulation, and to provide adequate cover. The difficulty was to make the measures sufficiently effective without injuring the rightfully acquired privileges of the various banks.

"Public opinion and the great majority of experts in banking, however, favored the view that banking reform must not be limited to such measures. The crises of 1857 and 1866 had shown that banks of issue had other duties than to satisfy private claims for credit; that they have to fulfil rather, side by side with these claims, important functions in the public interest. Thus they have, above all, to supervise and regulate the entire monetary circulation, from the point of view of the home trade as well as in relation to foreign currencies. The conviction gained ground that these tasks could be fulfilled only from one centre, that a centralized management was indispensable, and therefore that a central bank was necessary, which either stands alone or else surpasses all other banks of issue so that it exercises a dominating influence.

"These important functions had hitherto been fulfilled for the kingdom of Prussia by the Prussian Bank. The latter had in the year 1866 afforded a firm support to all cash and credit transactions at a time when a number of other banks of issue either limited or suspended their bill purchases and thus refused their services at a critical moment in national economic affairs. The activity of this bank was, however, confined chiefly to the kingdom of Prussia. It did not have the right of establishing branches outside of Prussia. . . .

"The uniform economic system of the German Empire required a common centre, where all cash and credit transactions could converge; a German Reichsbank, the highest duty of which should consist in supervising and regulating the German monetary system, was looked upon as the natural final step in German monetary and banking reform. The regulation of existing banks of issue could only limit existing abuses. The Reichsbank, on the other hand, seemed to be the living force necessary to carry out, uphold, and develop further the new monetary and banking constitution.

"Under the conditions then existing, the foundation of an entirely new Reichsbank in accordance with this idea was quite out of the question; only the transformation of the Prussian Bank into an imperial institution could be considered. The Prussian Bank already held for the greater part of Germany the position which the new Reichsbank was to hold for the whole of Germany. A Reichsbank in addition to the Prussian Bank would have been impossible.

"Considerable difficulties, however, stood in the way of the conversion of the Prussian Bank into a Reichsbank, and these delayed the working out and introduction of a bank bill. Finally, in July, 1874, a bill was laid before the Bundesrat which abandoned for the time being the idea of a Reichsbank, and was content with formulating guiding principles for the regulation of existing banks of issue. It added a clause forcing those banks of issue which did not wish to be restricted to the territory of their own state to agree that the Bundesrat could, on January 1, 1886, announce the withdrawal of their privilege of issuing notes. At this date the Empire was to have an entirely free hand in a thorough reorganization. The Bundesrat passed this bill with but few alterations. On November 5th the bill was forwarded to the Reichstag.

"At the very first reading (November 16, 1874) it was clear that a large majority of the House regarded the immediate establishment of a Reichsbank as a necessary preliminary condition for banking reform. The bill was referred to a committee, which in its first sitting (November 21, 1874) resolved at once, by a vote of 13 to 4, 'that the committee does not consider a discussion of the bank bill desirable until a decision has been arrived at regarding the establishment and organization of the Reichsbank.'

"As an outcome of this decision the deliberations concerning the cessions to the Empire by the Prussian Bank led to the desired result. Prussia declared itself ready, after the withdrawal of its invested capital of 5,720,400 marks and of its share (9,000,000 marks) of the reserve fund legally belonging to it on the dissolution of the bank, to cede to the Empire the Prussian Bank which was to be transformed into a Reichsbank."

The proposals of Prussia were accepted by the Bundesrat, and on this basis it was decided to transform the Prussian Bank into a Reichsbank. The regulations in the bill affecting the existing banks of issue were not affected to any appreciable extent by the establishment of the Reichsbank.

In order to avoid the introduction of a new bill and to avoid another first reading a member of the Reichstag committee was induced to introduce formally as his own motion the modifications decided upon by the Bundesrat. The bill thus supplemented by the creation of the Reichsbank was accepted without radical changes both by the committee and, later, by the Reichstag in full session after the second and third readings, and the act was published as the Bank Act of March 14, 1875, which with some modifications, still governs the banking policy of the Empire.

The purpose and result of the new legislation is summed up in another monograph prepared for the National Monetary Commission by Robert Franz, editor of "Der Deutsche Oekonomist," in the following passage:

"The predominance of the Reichsbank over the private note banks was secured through its considerably larger capital, further through the volume of its tax-free note contingent, which exceeded considerably the amount of all the other contingents, and which subsequently was to increase still more through the accretion of the contingents of the note banks which might remounce their rights of issue."