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A SIMPLE PLAN TO SECURE AN

AUTOMATIC ELASTIC ASSET EMERGENCY CURRENCY

To Be Had on Demand and Retired When Not Needed.

By LEONARD MATTHEWS, St. Louis, Mo.

Assume an agreement between the United States and the various banks, state or national, and the trust companies members of the various clearing houses of the country can be arranged. To do this the United States must agree to keep on hand and furnish on demand legal tender currency to any clearing house in the country, and the various clearing houses collectively must agree to become liable for any losses made by any individual clearing house to the United States. Three steps only are essential to this reformation of the currency:

1st. The United States Treasurer shall be required to loan any clearing house in the United States, any amount of money demanded to be placed in any city where wanted.

2nd. All clearing houses shall be held liable to the United States for any loan made to any individual clearing house.

3rd. Laws and regulations must be made to enable the above to be carried out.

This scheme would require no bonds or other tangible assets as security for money loaned, thus saving valuable time and possible loss in selling bonds or other assets when retiring the loans, or perhaps save the failure of a bank at a critical moment.

The clearing house should charge such rates of interest that would insure a speedy return of the loans, graduating the rate according to the usual rate of interest charged in its section of the country, making it high enough that the borrower would pay it back as soon as urgent demand ceased, but not later than a fixed time. No doubt in time the interest received on these advances, less a reasonable amount, to be paid the United States for expenses incurred in preparation for the plan, would more than cover the losses likely to accrue, and accumulate a fund with which to form a central national bank, if it should be deemed wise to do so.

In case of loss on any loan by a local clearing house, a greater proportion of the loss should be assessed on such clearing house, to make it careful in accepting securities offered. Sometimes cases may arise when it would be important to sustain a failing institution to prevent undue excitement, even, if the security offered should not be deemed sufficient. In such event, with the approval of a committee, to be appointed, the loss, if any, should be divided, in proper proportion, among all the clearing houses.

By the plan proposed legal tender money will be obtained current everywhere, in contra distinction to local clearing house certificates, used only with local banks. Loans will be obtained on demand, without publicity, and returned as soon as possible, and disgraceful rates of interest being charged as recently seen in the market will not occur again.

It would be an absolutely automatic elastic asset emergency currency, issued when wanted, and retired when not needed, and if desirable, the volume of the currency now outstanding, could be reduced in view of the fact it could be so easily increased to meet temporary unusual demands.

It may be objected that banks and trust companies in clearing houses would be unduly favored, but as soon as they are relieved, they in turn would loan their money to their customers and thus the whole country would be relieved.

This scheme would not prevent panics, but it would reduce their force and frequency, and render it unnecessary to keep up so large a reserve fund as twenty-five per cent. For illustration, suppose a bank or trust company in New York, St. Louis or San Francisco, needed assistance. It would apply to its local clearing house, which, in turn, would, after satisfying itself as to the security offered, wire the Treasurer at Washington to place the amount to the credit of the party applying for the loan in any city where wanted. This would afford instantaneous relief. No circumlocution in putting up bonds, etc., but instead the combined assets of every bank in the various clearing houses would be liable, beside having the best ability of the whole country to manage it. To do this, there might at first be some difficulty in selecting parties best fitted for the duty, but after a few trials the writer feels sure the right men would be selected to suggest the many details necessary to perfect the plan.

It would be necessary for the Treasurer to keep bills on hand ready for emergencies, but in denominations of not less than $100,000.

If this scheme prevail, state banks and trust companies members of the clearing houses, to obtain the assistance needed, should be required to conform with federal laws governing national banks, as far as this scheme may render it necessary.

As the government is constantly deranging trade and finances by its absorption of money through its custom and excise duties, it is only fair that this plan should have its sanction and support, and it will be an important step toward taking it out of the banking business.

There are many details in perfecting this scheme unnecessary to mention here.

It has been said if we did not have a Wall Street, we would have no need of emergency currency. This may be so, but the fact remains we have a Wall Street, and many of them, and they will continue as long as time lasts. A system like the above, governed by the best minds in the nation, would have a tendency to correct many evils, restrain over-speculation and prevent undue expansion. As to a permanent currency based on asset security and the formation of a great national or international bank (suggested by some), plans have not been formulated, but either may be feasible, under similar provisions, though of questionable propriety. If the above scheme is adopted, should it be deemed wise to establish such a bank, the government should own one-half of it, to be paid out of interest received on loans to banks.

The foregoing plan was submitted to our Secretary of the Treasury by the writer in January, 1906, and seems to have met with favorable consideration by the special committee of the Chamber of Commerce of New York, which says, on pages 19 and 20 of its report to the Chamber, under date of October 4th, 1906:

"It has been suggested to the committee that a practical method of putting into operation the principle of a bank note credit currency would be to have Congress recognize this principle by authorizing banks, through a voluntary association of their own, to make such issues within certain limitations and subject to a joint guaranty by participating banks; the details of such guaranty and the provisions for safety to be devised by the banks themselves, subject to the approval of the Comptroller of the Currency. Your committee see practical difficulty in securing the representative judgment of the bankers to devise the details of such a plan, but we are so clearly convinced of the desirability of the application in some form of the principle of a credit currency that we would heartily endorse this plan if Congress and the banking interest approve it."

THE CRISIS AND THE REMEDY.

AN OUTLINE OF A PLAN FOR CREATING AN ELASTIC CURRENCY.

BY A. E. STILWELL,
President of the Kansas City, Mexico & Orient Railway Company.

A number of years ago I foresaw that sooner or later the country would inevitably suffer from the financial condition which now exists. The following plan occurred to me as being a feasible way of relieving the situation, and, after taking the matter up with President McKinley, who looked upon it with favor, I sent an outline to a number of prominent bankers, senators and congressmen. They all agreed with me that the plan could be carried out with success, but as there was at that time no disturbance in business, they did not think it necessary to change existing banking methods, and the matter was dropped. I have thought over the plan continuously since that time, and I believe that if the idea embraced herein were put into operation, the banking interests of this country could be placed on a sound basis, so that we would have the best banking system in existence. This would result in restored confidence, and the present stringency would immediately be relieved.

THE PLAN.

Have congress pass a bill incorporating the United States Bank of Discount, to be a bank of issue, with a capital of three hundred million dollars. The functions of this bank will be:

1. To issue circulation.
2. To discount with its capital the paper of National banks.
3. To insure the deposits in all National banks.

Have the National banks subscribe for the stock exclusively, and provide that the stock can be used with the United States government in order to secure circulation, in the same manner that government bonds are now used, every National bank to be required to invest one-fourth of its capital in the stock of this bank; provide that the stock shall draw interest at the rate of three per cent, and that if the interest is not earned (a remote contingency) the government will make up the deficit.

The United States Bank of Discount will select one representative from the board of directors of the various National banks. This representative will be a resident of the city in which the bank is located, and it will be his duty to report to the United States Bank of Discount any irregularities which he sees in the management of the bank.

The United States Bank of Discount will have the right to examine all National banks, just as the government does now, as this bank insures all of the deposits, and, for this reason must know the risk that it takes. This examination simply adds to the safeguarding of the banking system.

The United States Bank of Discount will issue its currency in the following way only:

Every National bank will have credit with the United States Bank of Discount for an amount equal to its surplus and capital. This will encourage banks to pay in a large surplus, making an additional safeguard to the entire banking system. This credit may be used as follows:

When the crops are to be moved, additional money is required. Suppose, for instance, a bank at Topeka, Kansas, has a capital of a quarter of a million dollars, and this bank wishes to avail itself of the credit which it has with the United States Bank of Discount, the amount being equal to its capital and surplus, $450,000.

The Topeka Bank takes to the Kansas City Clearing House, which is the representative of the Bank of Discount in the section, four hundred and fifty thousand dollars of bonds; the clearing house approves the collateral, and gives a certificate to the Topeka bank stating that it is entitled to $450,000 worth of bank notes, to be issued by the United Sates Bank of Discount. The Topeka bank sends this certificate on to the United States Bank of Discount, and receives four hundred and fifty thousand dollars of circulation, paying at the rate of 5 per cent. per annum while out. One half of this issue must be retired in six months and the balance in one year, or the bank must be liquidated if it is unable to retire the issue in that time. When the bank wishes to pay off the $450,000, it sends this amount of National bank notes (not gold or silver certificates) to the United States Bank of Discount, and its collateral is returned by the Kansas City Clearing House, on order of the United States Bank of Discount.

This plan immediately creates an elasticity to the currency of the country equal to the capital and surplus of all the National banks in the United States. It will be to the interest of the National banks to build up their surplus, in order that they may have a discount reserve at this bank.

Instead of keeping so much money in New York, they will buy high grade bonds, such as the Massachusetts Savings Banks buy, and will keep these for the interest which they earn, knowing that they can be used at any time to secure currency. The United States Bank of Discount would publish each year a list of high grade State, City and Railroad bonds in which all National Banks could invest and hold to secure circulation when needed. This would create a market for a billion or more of high grade bonds that the banks would buy and hold, first, for the interest, and second, as they are the basis for the issue of currency by the United States Bank of Discount.

One of the most important features of the United States Bank of Discount will be the insurance of all deposits in National banks. In the pass-books issued to depositors in National banks, the following might be inserted: "In case this bank should suspend or fail, the United States Bank of Discount will pay all depositors in full, within ten days."

In case of suspension or failure, the United States Bank of Discount will have the following ways of reimbursing itself:

1. The assets of the suspended bank.
2. The double liability of the stockholders.
3. The insurance fund created by collecting from each National bank one-fourth of one per cent of its average balances for the year. At the end of every three years the United States Bank of Discount will declare dividends equal to one-half of this insurance fund, which will be distributed to the National banks in proportion to the amount which each has contributed.

The National banks of each State will elect one director of the bank. These directors, in turn, will elect an executive committee, which will have the entire management of the bank.

It should be noted that this plan does not contemplate any change whatsoever in the present National Banking methods or in the relation of the National banks to the Sub-Treasury, but is an auxiliary plan, not calculated to cause the uneasiness which radical changes would be apt to involve.

THE RESULTS WHICH THIS BANK WILL ACCOMPLISH.

1. An elasticity to the currency, which will enable the banks to take care of the needs of the country during the time of moving crops.
2. A stability to the National banks, as they could at all times call upon the United States Bank of Discount for currency to the extent of their capital and surplus.
3. The insurance of all deposits would result in keeping a large amount of money in the banks which is now kept in safe deposit vaults. This would add largely to the currency in circulation, and at the same time would prevent runs in time of trouble. This insurance of deposits in National banks is as important as fire or life insurance, as safe and proper banking facilities are a necessary element in the business world.
4. This bank could never become a monopoly, as it does business only with National banks, and not with the public. Its business will be limited to the issuing of its notes to the National banks for discount. The only business which it will carry on will be the making of loans to the government and the insuring of the accounts of National banks.
5. This bank will be located at Washington, and will not be under the control of any one political party, but will be controlled by all the National banks of the United States.
6. It will receive no deposits except those of the government.
7. The whole country cannot then be made to suffer by the fighting

among the men who have been caught in Wall Street. Each bank will know what it can depend upon in time of need. It will not be affected by stock gambling, and will not be dominated by men who have been carrying on their business on a stock-gambling basis.

If this bank should be incorporated, I am convinced that it would solve the problem now confronting the country in regard to the banking system. If at the same time a bill could be passed in congress, making the short selling of stocks, wheat, corn or cotton, punishable by fine and imprisonment, one of the greatest menaces to the business interests of our land would be removed. The people who own the land and grow the crops ought to control the prices, and not the people who speculate for their own profit.

We have recently read in the papers that a New York man has made a profit of $5,000,000 by the short selling of stocks. The owners of the stocks did not make these low prices, but men who did not own them forced the owners to sell. When timid people see the stocks which they own rapidly falling in price they are seized with fear, and immediately dump their stocks on the market, thus giving an opportunity to other persons to sell short at a great profit. If it is a crime for one man to sell property which he does not own, but some day hopes to own, why is it not a crime to sell the cotton or corn which he does not own, and thus force prices down, compelling the man who owns the cotton or corn to sell at less than the real value of the commodity? Think of the great harm which can be done in times like these, by rich speculators, who have never done anything to build up the business of the country! The men who, knowing that some concern is struggling to continue its existence, take advantage of this extremity and begin to sell the stock short, are of the greatest harm to the business interests of the land. The stockholders, knowing that the company is having a struggle, begin to fear for the safety of their investment; they see the quotations of the stock going lower day by day, not knowing that the quotations are created by people owning none of the stock, so they immediately begin to dump the stock on the market, thus creating the opportunity which the stock speculator has been looking for. The officers of the struggling corporation have outstanding loans, with the company's stock as collateral, and in order to save their own credit they are compelled to refuse assistance which otherwise, they could give to the company. As a result, the company fails because of the short selling of some unscrupulous speculator, who is only waiting, like a vulture, to devour the unfortunate. The protection of business which would result if such a method were punishable, as it should be, would be of inestimable value to the entire country.

A. E. STILWELL.

CURRENCY REFORM

TREASURY CERTIFICATES

An Elastic Currency Preventing Financial Stringency.

A Rewritten Suggestion, Published Dec. 10, 1906.

The terrible and disgraceful condition of our finances is certain to continue unless there is legislative action.

Congress, with its record for sound money will not now authorize an unsound currency —there will be no disastrous credit note currency.

As a permanent United States bank is impossible in our Republic, the only other financial institution is one we already possess—the Treasury Department with its equivalent branch banks, the Sub Treasuries in the Eastern, Western, Southern and Central States. A United States Bank would change our whole National Bank system on which rests our national debt. Government bonds would then fall like British consols. The United States could never again borrow money at two per cent.

Financial Stringency.

Our financial situation is peculiar. For about eight months in a year, the nation has plenty of money, owing to our increasing per capita circulation, so abundant that we often have one per cent. money, but in the other four months there is always a stringency caused by the extraordinary demand for money, required by larger Fall business, moving the crops, and great industrial expenditures and financial re-adjustments.

All the foregoing shows that foreign banking systems, suitable for foreign nations, do not fit our specific requirements. Our circulation must follow the ways of our development.

New York city is the financial heart of the nation and all outside banks are the arteries. The New York Clearing House banks are the great central reserve depositories for the banks of the whole country. When financial stringency is greatest, panics begin at the New York heart, and unless stopped they naturally spread over the nation. To prevent panics in New York City is the grand achievement, for it saves the nation financially—and it can be done by Congress in a very easy way, by authorizing the issue of Treasury Certificates.

Treasury Certificates.

Let Congress authorize the Secretary of the Treasury, at his discretion, and all Assistant Treasurers under his control, to receive government and other authorized bonds and securities, as collateral from national banks, as the Treasury is doing now, and issue therefor Treasury Certificates, subject to call.

The principle is sound; circulation based on government bonds, exactly like national banks; the government, in emergencies, to include other bonds and securities.

Practice creates a system; Postage stamps developed Fractional currency, and Clearing House certificates will develop Treasury certificates. It is the evolution of the fittest.

These Treasury certificates state that the required government and other bonds and securities are deposited with the United States Treasurer, and are receivable for all the purposes authorized by Congress, who will determine their denominations, and interest charges.

An Elastic Currency.

Under this Certificate plan the United States Treasurer and all Assistant Treasurers throughout the nation, most especially at New York city, will, under the direction of the Secretary of the Treasury, supply the daily and legitimate demand, issuing or withholding issue, or calling loans, to regulate the money rate, thus creating perfectly elastic government money.

The Treasury becomes a Bank of Issue, the chief value of a United States Bank.

Gold certificates are based on gold; silver certificates on silver; national bank notes on government bonds; Treasury certificates on government and other bonds and securities authorized by Congress.

Treasury certificates and national bank notes, both based on securities, and both issued for the benefit of national banks, should be receivable for identical purposes and be similar in appearance.

To simplify, facilitate and quicken the duties of the Assistant Treasurer, the Clearing House Associations could arrange and submit the collaterals to conform to Department instructions. In a word, the national banks would get Treasury certificates through the Clearing House Associations, thus illustrating how Clearing House certificates would develop into Treasury certificates. If this plan becomes a law, any one can see, as Treasury certificates is money, that money panics will be prevented.

Redemption.

Under the Treasury Certificate plan the redemption is completed at once on the return movement. The Secretary of the Treasury will announce a date on which the certificates will commence to be called as issued, or otherwise, graduated by dates of the loans. Payment for the returned securities will be in certificates and any kind of money conveniently at hand. Say $100,000,000 of certificates have been issued, then $100,000,000 will be promptly returned to the Treasury as called. Any stray certificates will quickly find their way back to the Treasury under the guidance of the interested national banks, and exchanged as received, exactly as is now done under the law in redemptions on account of the gold reserve; and the entire $100,000,000 of Treasury certificates will be tightly locked up in the Treasury vaults until required to supply a new and urgent demand for money.

Currency Reform.

Now, when these certificates are supplied to the New York Clearing House banks, through the New York Clearing House Association, by a Treasury of unlimited issue, confidence is strengthened at that great center at once, all financial requirements and re-adjustments are completed, and panic is prevented.

The issue of these sound Treasury certificates to prevent a panic is vastly superior to issuing three per cent. certificates of indebtedness after a panic.

The present unavoidable, complicated, cumbersome, clumsy and unlawful financial methods between the national banks and the Treasury would be simplified, harmonized, and legalized by Treasury certificates.

This, then, is the sound principle of currency reform—not to inflate our increasing per capita circulation, making it more uncontrollable by reason of its inelasticity, but, for periods of financial stringency, to provide temporary Treasury certificates, which have the advantage of security, elasticity and unlimited issue.

The procedure for issue is very easy. The officials of the New York Clearing House Association will confer and arrange with the Secretary of the Treasury to supply Treasury certificates for the New York Clearing House banks, which, being Correspondents of national banks throughout the country, will afford instant relief—far superior to the delay in a United States Bank.

The New York Clearing House Association is the rock on which to build our refuge from financial storms.

The Senate Finance Committee should not forget that action of some kind is vital. There are great dangers ahead—a new war debt, an empty Treasury and a deluge of greenbacks!

W. H. CONKLE.

Dec. 2, 1907.

The Urgent Need of an Expansion Joint in our Monetary System or the Consequences of Doing Business With an Inelastic Currency

A Paper Read to the Passaic Board of Trade by Robert D. Kent, President of The Merchants Bank of Passaic, Passaic New Jersey, June, 30th, 1910.

My excuse for this paper is a general banking experience of thirty-five years and during the last ten years of that period a somewhat thoughtful consideration of the special questions involved.

The expansion joint is a well known device in mechanics. If you should walk over the Brooklyn Bridge you will see a place where steel plates slide over each other in the roadway, and if you should ask the purpose they serve you will be informed that it is an "expansion joint," to allow for the effect of heat and cold in expanding and contracting the metal of which the bridge is built. Your watch has in it a device known as a "balance wheel" which is an expansion joint to enable it to do its work correctly regardless of the expansion by heat or the contraction by cold. Please note that while the name is "expansion joint," the thing really is an expansion and contraction joint.

Bear with me for a little and I will endeavor to make use of this idea of the expansion joint in mechanics to illustrate some of the ill effects we experience because we have no expansion joint in connection with our circulation of currency or because in the terms of the old, but I fear not generally understood expression, "our currency lacks elasticity."

Last year the value of our principal crops amounted to 4,652 million dollars. Practically all of this is harvested and marketed in the fall: hence we require great amounts of money to "move the crops." We hear that term very frequently but I do not think many of us realize what is implied by it. Several years ago I was in Nebraska, and with some other men was starting to drive out into the country from a town on the railroad. One of our party who lived in the town called our attention to a man driving into the place with several hogs in his wagon. He said, "that man will sell his hogs and get twenty-five or thirty dollars for them, and will spend five or six dollars for groceries and supplies, and take the balance of the money back into the country to his home ten or fifteen miles from the railroad. The next week he will repeat the operation. The money he takes back with him each week will go to make up a fund which will last him for his family expenses until the following spring." I then woke up to the fact that several million farmers were doing the same thing all over our broad land, and I had a larger conception of what it meant to furnish money to "move the crops"—the cereal and other products of the West and the Cotton of the South.

If the farmer had a bank account and deposited his receipts to his credit with his bank, such money could be used over and over again, and when the active shipping to the East was over the surplus money in the banks of the western and southern towns would in a comparatively short time find its way back to the money centers of the country, and the banks of these centers would send their surplus supply to New York.

We can have no accurate statement of the amount of money needed each fall to move the crops, nor just how long it will be before it gets back again to the money centers; but a fair estimate would be that 200 or 300 million dollars is required each fall for this purpose, and that in January, February and March nearly all of the crop-moving money will be restored to ordinary circulation.

Now it is in order to inquire where the large amount of money needed each year is obtained, and at what cost.

To a very limited extent do the banks at the money centers carry much over their legal reserve from which to contribute. They do, however, have considerable in demand loans which are called in, to the disturbance of the security market. Next they refuse much needed accommodation to merchants and manufacturers to whom they would willingly lend at other seasons of the year. This helps some more. The banks also collect—all maturing time paper which may have been purchased from commercial paper dealers from April to July. In other words, financial strain is caused on every hand.

If by such efforts in our own country, money enough is not obtained, we also disturb the money centers of Europe, as I shall show later.

In a short paper such as this must be I can give only outlines of processes. Intelligent bankers and business men can fill in the details. So far I have dealt with the trouble caused by lack of the ability of our currency to expand when special funds are needed. Now for a few words on the results of the inability to contract when money is unduly abundant.

In the Spring and early Summer of 1909 when the crop-moving money had all been returned to the money centers, there was a considerable time when call-money was plentiful at from 1½ to 2 per cent. In the early spring I was in the office of a Stock Exchange House in New York, and while discussing the increased supply of money with a member of the firm, he remarked, "In two or three weeks the banks will be crazy with money"—his idea being that almost any rate would get it, and that the banks would not be severely critical as to the character of the collateral required. For a period of two or three months a little later than this, the dealers in Commercial paper were going about among the business houses of New York, and probably elsewhere, offering amounts of from $25,000 to $100,000 or more on the single name paper of the firms at 3½ per cent. It needs but little imagination to see how this condition would lead to undue inflation of the prices of securities, to the flotation of unwise ventures, and to the undue use of credit by the commercial and manufacturing community.

James B. Forgan, President of the First National Bank of Chicago, in an address says, "In the long run commerce suffers more from periods of over abundance of money than from those of scarcity. The origin of each recurring period of tight money can be traced to preceding periods of easy money. Whenever money becomes so overabundant that bankers, in order to keep it earning something, have to force it out at abnormally low rates of interest, the foundations are laid for a period of stringency in the not far distant future, for then speculation is encouraged, prices are inflated, and all sorts of securities are floated."

During one part of the year we are distressed to supply 200 or 300 million dollars extra currency. During the other part we do not know in what legitimate way to use a considerable portion of it when its special service is over. In other words we do a volume of business vastly changing in size with practically a fixed quantity of currency. Does not this show the need of an expansion joint?

In support of my statement that in our annual needs we disturb the money centers of Europe, I will quote in full a special cable dispatch from London to the *New York Times* published March 19th, of this year. It will be found full of instruction for us, and is under the heading—"To Steady the Money Market."

"London, March 18.—In connection with the Bank of England's advance in the official discount rate this week, *The Statist* will, in to-morrow's issue, draw attention to the action of one of the most powerful English joint stock banks, which if pursued systematically and on a requisite scale, may have considerable influence on the future course of the money market. Last Autumn, when the American demand forced the Bank of France to come to the assistance of the London money market, the joint stock bank in question sold freely of gold which it previously accumulated, thus diminishing the demand on the Bank of England.

"As it did previously when the metal was cheap, the bank this year is again buying gold. *The Statist* outlines various reasons which may be actuating the Directors, but inclines to the belief that their main object is to steady the rates, instancing the claim of the Bank of France that by not greatly varying the rates it conferred incalculable benefits upon French trade in all its forms."

"If the joint stock bank to which we refer," adds *The Statist*, "can succeed in preventing the extreme oscillations in the rate of discount to which we have long been accustomed, it unquestionably will perform a great public service."

"In conclusion, *The Statist* urges co-operation among the London banks to secure this object. The article has a peculiar point at the moment, when there is a wide-spread belief that the Bank of England will not be able to make its official rate effective, for up to the present the discount rate in the open market has not responded to the increase in the official rate."

The other nations of the world do not have such agricultural crop to handle each year as we do. They have not the same need for an elastic currency. Their lesser need, however, is provided for. In support of this statement I will quote from a recent issue of the *Wall Street Journal* in which the Postal Savings Bank Question was being considered. It says, "Every country in Europe having a Postal Bank has a central banking system which prevents panics and specie suspension, and affords inexhaustible resources through its power of note issue and its relation to foreign markets, for meeting unusual demands."

It is not entirely correct to say that we have no expansion joint in our currency system. One such method of relief is Clearing House Certificates, but we never use that method until the case is so desperate that a panic is upon us and we face disaster. These certificates have been resorted to but three or four times in forty years, and have averted financial catastrophes. But they fall short of serving us to the best advantage even when issued, because they do not go from city to city, and because they are not issued in small denominations for wages and small transactions, except as they were so used in a few cities in 1907 in direct violation of law.

Clearing House Certificates as generally used, while not in violation of law, are not authorized by it.

The present Emergency Currency law is an earnest attempt to furnish us with elasticity, but it is not adapted to our comparatively moderate extra needs each fall. It is more for the purpose of helping us to recover after we have been seriously hurt. A few changes in the law would, I feel sure, make it extremely useful.

During the past two years we have, as a people, made considerable advance in our knowledge of the principles governing the circulation of currency. Many bankers and economists are studying the question, and undoubtedly some adequate form of relief will ultimately be devised.

In order that the proper solution of the situation may be arrived at it is necessary that bankers and business men become posted on it; that they form clear ideas of the troubles we endure from our present faulty system, and of what is needed in the way of relief. An intelligent public opinion is necessary in order that wise leaders may be followed, and the plans and remedies of unwise leaders avoided.

The Monetary Commission has devoted much labor to the question, and while its views have not been made known, it has collected much valuable information.

The opinions of banking and currency experts on the question are instructive. I will therefore call your attention to a few who have written on the subject and have, in my judgment, shown a comprehensive grasp of it.

Mr. Paul M. Warburg, of Kuhn, Loeb & Co., has written ably on the question, and presents in detail a plan of central bank. William A. Nash, the president of the Corn Exchange Bank of New York, wrote a valuable paper on the possibilities of the enlarged use of clearing house certificates which was published in the *New York Times* of Feb. 14, 1910.

Mr. Victor Morowetz has written a book on "the Banking and Currency Problem of the United States." It contains valuable information, and proposes a plan of relief.

Mr. A. J. Frame, of Waukesha, Wisconsin, in several speeches and papers has ably presented some of the important points involved.

In the Banking Law Journal beginning with November, 1909, Mr. Maurice L. Muhleman gives a plan of a central bank which shall be free from political control on the one hand, and from speculative interests on the other.

These writers are all thinking in the right direction, and while differing in details, all clearly see the necessity of and aim at an expansion joint.

Andrew Carnegie says: "Americans have many advantages upon which we may plume ourselves as being in advance of other nations, but we have at least one humiliation to lessen self-glorification. Our banking system is the worst in the civilized world."

Mr. James G. Cannon, vice-president of the Fourth National Bank, of New York, in a paper published by the Monetary Commission, quotes, and apparently with approval, the remark of a prominent banker and economist who says: "The truth is that responsibility for the panic of 1907 lies at the door of our currency system. No other adequate cause can be found. We do business by the modern system of bank credits, but we have failed to supplement this machinery with the means for readily converting bank credit into cash."

In an editorial under date of May 10, 1910, the *New York Times* says: "Only a little time ago we repeatedly called attention to the fact that the volume of our bank notes persisted in increasing unnaturally. The depressed conditions of trade and the money market called for reduction of the volume of credits and currency, yet our bond-secured currency persisted in coming out. The banks held two per cent bonds on a basis which necessitated making them earn something more than their interest yield, and the notes based on them were forced into circulation under the most unwholesome conditions."

In an editorial review by the same paper of Mr. Paul M. Warburg's plan for a Central Reserve Bank, on March 25, the following occurs. "It is now understood that what used to be referred to proudly as the best currency system in the world is not worthy the name of system, and bears no likeness to banking in any civilized country. Americans know no better way of moving the crops than with a permanent supply of currency and credit, maintained at great expense in idle times, only to be inaccessible and inadequate when time of need arrives. It is plain how turning idle resources into the security market inflates them abnormally. It is equally clear how the withdrawal of those resources for use is as disturbing and conspicuous as possible. Not only money market experts watch our security markets, everybody watches them. We are made a nation of security speculators against our wills. We are constanly making and unmaking security bargains to supply ourselves, or our customers if we are bankers, with cash when we or they want it, and to absorb idle funds. Rarely do foreign banks move more than a fraction of one per cent. Our money rate doubles or triples itself, and sometimes it reaches cent per cent. People used to a staple market cannot reconcile such antics with solvency or sanity."

Mr. Warburg in a pamphlet entitled *The Discount System of Europe* says, "Our own system being absolutely inelastic, we have become accustomed to use as a substitute the power of our banking community to borrow in Europe. We thus use Europe as an auxiliary financial machine, but we forget that our weight has become so great as to threaten the safety of the European machinery when we are compelled to use it to its utmost capacity in order to provide for our needs. Europe, in sheer self-defense, refuses under these circumstances to let us borrow, and by the simple means of refusing our finance bills renders our reserve of elasticity useless. Thus instead of securing additional assistance at the most critical moment, we find ourselves suddenly forced to dispense with a most important part of our machinery upon which we were wont to rely in normal times."

Congressman Fowler, of New Jersey, has for some years been an enthusiastic currency reformer, and with persistency and eloquence his impressed his views upon us. He is strong on the expansion side but when he proposes methods of contraction he seems to be at sea and beyond his depth.

One very serious result of our present system is, that on the approach of bad business times each individual wisely managed bank begins to accumulate cash and reserve by contracting its loans in order to be prepared for anticipated stringency. Thus when the business community is in special need of accommodation the banks lend less than usual. As a result conditions are made worse. The banks are not to be blamed for such action. Indeed it is necessary for the protection of themselves and their depositors, as they have no central banking system to which they can apply later on for relief when help may be urgently needed.

The consequences of an unscientific monetary system are widespread. When undue contraction results from a previous expansion, as shown by Mr. Fargan's statement, merchants with falling sales have to sacrifice stocks to realize funds to meet obligations, and the weaker ones frequently fail. Manufacturers curtail production, and discharge hands. These, unless thrifty and with means to keep them going are reduced to poverty. Their purchasing power is cut off or diminished and in consequence retail merchants, find their business seriously lessened. Many men who have made small payments on the purchase of a house through failure in business or loss of employment, are forced to relinquish their investments, and lose what had been put into them. In other words, society is so interwoven that all classes suffer when bad financial and business conditions prevail.

The writer has a plan to propose, and while it does not cover all the ground, it will go a great way in checking the evils of our over-supply of money at one season of the year, and our shortage at the other, and until we have a Central Bank or some other system to answer the same purpose, will greatly help the situation. Indeed, it will be beneficial even after a more comprehensive plan is put into operation.

Something greatly in its favor is its simplicity. It could be put into operation by four or five gentlemen in New York at a fifteen-minute conference; and yet I challenge any banker or writer on economics to prove that it will not be greatly helpful.

The plan is that not less than four or five of the leading New York banks unite to discourage the accumulation of money in New York from about March to September, by lowering the rate of interest they will pay for balances from out-of-town banks and others to whom they pay interest to the extent of one-half or one per cent or more if necessary, and that from September to February they encourage the shipment of money to New York by raising the rate to correspond with its supply and the demand there may be for it.

If four or five of the larger banks in New York would adopt the policy of changing the interest rate as suggested the others would be forced to follow their example. This in turn would compel the banks of Chicago and St. Louis, the other Central Reserve Cities, to take similar action. The banks in the ordinary Reserve Cities—Philadelphia, Boston, Albany, Pittsburg, Cincinnati, and the rest would feel the force of the action, and would be compelled to govern their methods accordingly.

To indicate the wide fluctuations in the rate for call money within the past three or four years, I would state that the average rate for November 1905 was 8 2-3 per cent, in December of that year 21½ per cent, in November 1906 10¼ per cent, and in December 15¼ per cent. In 1907—October 20½ per cent, November 16 per cent, and December over 12 per cent. As a contrast to this condition, there was a period of six months or more in the spring and summer of 1908, when the average rate was about 1½ per cent and for six months in 1909 the average rate was about two per cent.

Under these widely varying conditions in the money market the New York banks practically make no change in the rate of interest which they pay for bank balances. Not having lowered the rate when money was almost a drug in the market, they are not in a position to raise it in order to attract funds when they are greatly needed. How much better for themselves and for the general business interests of the country if a different policy were adopted! How different this condition is from that shown by the statement I have quoted regarding the Bank of France, which claims that by not greatly varying its rates it has conferred incalculable benefit upon French trade in all its forms!

The estimated per capita circulation for May of this year was $34.59. If that is about the right average for the year, it would seem that $33 per capita would be correct for the Spring and Summer, and that about $36 per capita would serve our purpose in the Fall and Winter. What we need to do with the unnecessary $3 in the Spring and Summer is as far as possible, to put it out of business, or compel each one of our population of ninety or one hundred millions of people to keep it in his or her pocket or stocking, and bring it out for use again in the Fall. But no, its owner must have interest on it, and so it goes into his bank, and ultimately it goes to New York, attracted by the interest, and there becomes congested and breaks out like congested blood in the human circulation, leading in one case to unhealthy speculations, and in the other to various bodily disorders.

I believe that the policy I advocate would pay each individual bank in New York better than the present method, and the interest received by the out-of-town banks would average about the same as they now receive, but even if there should be some slight loss in either direction, it would be compensated for many times over by the advantage of doing business on a more stable basis.

If we individually have any money to invest in standard securities we may investigate the history and operations, and the ability and honesty of the management of any railroad or other large corporation, and find all the conditions connected with it entirely satisfactory, but after all this is done our investment becomes largely a matter of betting on the money market.

It is sometimes said that strong financial interests desire the continuance of the present system of currency circulation in order that they may make large profits out of the violent changes in the money market. Of this I have no proof, but I will say this: that if strong financial operators desire to do business on such a basis the present currency laws and the practice of the New York banks will greatly aid them in accomplishing their purpose.

A few years ago we heard much on the subject of New York becoming the money center of the world. It cannot look forward to that distinction until our currency laws are perfected, and its banks are prepared to do business on broad lines and in harmony with the laws of supply and demand, and are willing to do their proper share in steadying the money market of the world.

It is imperative for the best results in business that legislation be enacted to eliminate the evils incident to our present rigid supply of currency and credit. Business men who realize the hazard of commercial operations as now conducted should urge the remedy—the Central Bank under strict governmental control. Meanwhile the interest-regulating coalition such as I have suggested would provide immediate relief and would constitute as well a valuable permanent feature of our machinery of monetary regulation.

The Bache Review

A SUMMARY OF THE GENERAL FINANCIAL AND BUSINESS SITUATION

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CURRENCY REFORM PROGRESS. — STRENGTH OF U. S. TREASURY.—IMPORTANCE TO OTHER COUNTRIES OF A SOUND SYSTEM HERE. — FAVORABLE FACTORS IN THE PRESENT SITUATION. — OBSTACLE TO REVIVAL WHICH EXIST.—THE TURN.—THE MARKET.

Currency Reform Progress.

The Bankers' Convention at New Orleans last week, approved by a practically unanimous vote the National Reserve Association plan. The bankers have never before agreed upon any one remedy.

The importance to the country of this approval can hardly be overestimated. Without such co-operation the enactment of legislation could not be effected. It is fair to say that the several thousand bankers present were, at the end of the sessions, convinced of the remarkable adaptation of the system to existing conditions, whereby 20,000 separate banks might unite in and control a Central Institution, and still retain each its own independence. The plan was widely discussed outside of the sessions by individual bankers among themselves, each seeking to ascertain how his particular institution would be affected and benefited. The commendation of the plan by the bankers to their customers throughout the country will have good effect in educating the voters, and eventually the politicians, in favor of legislation.

It is a reform which will really benefit the people from high to low more than it will the banks, as far as direct, as well as ultimate, profit is concerned. The prevention of panics alone will save the country thousands of millions of dollars. The liquefaction of credit produced by allowing banks to accept customers' drafts under proper arrangements, instead of discounting their notes, will put life into millions of otherwise dead assets. The acceptances can be turned into cash at central discount markets, where the money of the world will seek them, while under the present system the quick assets of the country in the shape of good business notes to an enormous amount lie a dead weight in bank vaults, awaiting maturity. The United States will be placed upon a modern and sound basis for doing business, and its enormous bankable resources will for the first time be made available to give us the prominent financial position we are entitled to.

Strength of the U. S. Treasury.

The London "Statist" called attention recently to the fact that the accumulation of gold in the United States Treasury exceeded anything ever before seen in any country. The total gold held amounted to more than 1,200 millions and the silver to nearly 500 millions. This is the largest amount of gold held by any institution in the world that does a banking business. The Russian Treasury is the next largest holder of gold, at 690 millions. Next comes the Bank of France, with 615 millions. The holdings of these last two institutions otgether amount to only a little over 88 millions more than the gold in the United States Treasury alone.

A very large amount of our gold holdings in the Treasury is, however, idle, as far as any assistance it gives the country's business as a basis for credit.

And the correction of this is one of the great benefits which will accrue to the country from the adoption of the National Reserve Association plan. A good portion of the gold holdings of the Government will be deposited in the Reserve Association and will become at once a source of strength to the whole banking system; and will also safely expand the banking facilities of the United States to an enormous degree.

Importance to Other Countries of a Sound System Here.

This in turn will be of the greatest advantage to all the other commercial nations. One has only to read the standard financial journals of other countries to note that our progress and condition is watched with the keenest attention and that great prosperity throughout the world depends upon a favorable situation here. This is no reason for being puffed up, but rather should make us ashamed at the enormous waste and danger of our Currency system. Nations are now so close together that for some years our unprotected reserves and the general unsoundness of our banking position in time of stress is as much a source of anxiety to others as to ourselves.

Favorable Factors in the Present Situation.

The strong position of the Treasury is one of the factors making for rapid recovery from lagging business progress.

We have also in our substantial foreign trade position another element of encouragement. The balance of trade is heavily in our favor and continues to grow. The heavy loans which New York has made to Berlin stand as a reserve for easy money after the first of the year. Two years ago the country switched gradually from extravagance to economy and the latter has been prevailing increasingly ever since. The country as a whole has learned how to get more out of each dollar and each pound of effort. These are lessons which should last. Fortunately they have not had to be learned under the privation of hard times. Without prosperity, the country's business has continued, through a comparatively depressed period, in quite large volume. Business for a long time (part of the economy lesson) has been conducted on a basis of not carrying an ounce or a yard more of "stuff" than was needed to keep customers going. The result has been to get stocks of goods down to the basis of country-store specifications—just enough to take care of day to day buyers. The effect of all this must be, some time, to start things up with a rush.

Obstacles to Revival Which Exist.

Such a movement cannot take place until wise, conservative business men can see the way ahead clear to pursue their business without danger of happenings which will be liable to obstruct the path and stop progress.

The obstacles in view at the present time are few in number. How formidable they are is worth considering.

Those obstacles outside of our own country, are concerned with the question of the Italian-Turkish war, the Chinese revolution and the ruction left over from the Morocco settlement. War and revolution are like fires in the underbrush. They may go out very quickly or they may burst into flame. The probabilities in the present cases are for a gradual smudging out, free from general disaster. The Morocco settlement has left a sore situation between Germany and England, with prospects of gradual healing.

If we had no troubles of our own, it is probable that the incidents enumerated would have more weight. We here, however, are more acutely concerned with two things—the outcome of the Government's Anti-Trust campaign with Congressional accompaniment, and more remotely, the final results in Tariff changes and the Presidential contest.

There is little doubt that the former has been the main obstruction to revival of confidence until very recently. The apparently firm resolve of the Administration to complete wide dissolution of trusts and so restore old-fashioned competition with all its dangers, for a time overshadowed all other disturbing factors. It is apparent that a change has come in the acute character of this anxiety. The turning point was the declaration of Mr. Roosevelt, which distinctly discredited the attitude of the Administration in unmistakable terms.

The Turn.

Here was the Originator of the active Anti-Trust movement, declaring that the policy of his successor was too severe, too sweeping, and altogether unwise.

Previous to this declaration there seemed to be no hope. The highest Governmental power was apparently determined to force combination wide open and to re-establish antiquated and destructive competition. Mr. Roosevelt has a very large following. His trumpet blast has called a halt. Confidence, whether well founded or not, has begun to reassert itself. This is shown in all directions. General business is feeling it. If business once more gets a fair start, its progress will be irresistible. Tariff changes will not stay it, and even the Presidential contest, provided both parties name good candidates, may not affect it.

The Market.

The broad view of the situation shows a much more confident feeling in all directions than has been manifested for some time. This has extended to the business world and buying movements in Steel and Iron and thorughout the various other trades, are beginning to be of more substantial volume. The course of money after the first of the year, it is expected, will be toward ample supply. The meeting of Congress is looked forward to, as always, with some misgivings and tends to keep sentiment conservative with regard to any new enterprises. There is, however, a feeling that the scares here will be produced mostly by loud sounds, without material injury. If, as is believed, the turn has been made and the worst is over, the trend of the market should be very gradually upward, with irregular reactionary interruptions of longer or shorter duration, produced by political events.

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THE MEXICAN SITUATION.—TARIFF PLAN.—CURRENCY HEARINGS.—FOREIGN REVIEW.—THE OUTLOOK.

The Mexican Situation.

This swing of thousands of heavily armed soldiers to the Mexican frontier is exciting and picturesque, and naturally stirs the imagination. As far as it is for the purpose of discipline and practice, it should be very effectual. The speed and the precision with which it is being effected is reassuring as to the good quality and condition of this one-quarter of the whole army, and as to the workings of the new methods which have been introduced since the Spanish-American War.

The official explanation of the movement at first was that this was a mobilization of the troops to test the magnificent machinery that has been built up to respond to just such an emergency, and which has been long in preparation. It may be said that everything is working with the utmost smoothness, eight thousand officers of the State militias have been invited to witness the manoeuvres, and that there is nothing to conflict with the manoeuvre theory.

That the place chosen for the demonstration is the Mexican border is very praiseworthy. This near-war demonstration will have a salutary effect upon the conduct of the Mexican insurrectos and gives them notice that no nonsense will be permitted. It also helps to stop aid and ammunition from crossing from Texas to Mexico. If President Diaz is well and continues to stay so for three or four years, or longer, all the better. If not, and through his death or disability, anything threatens the lives and property of Americans and of other nations in Mexico, the troops will be a first aid.

Outside of the manoeuvre proposition the navy is taking a hand by concentrating near the Mexican coast a fleet of warships of some importance. Thus far, all this is police business, and plenty of good police are like an insurance fund. If you are well insured you rarely have a loss. It is part of wisdom to have the police and to have them on the right spot.

It is estimated that there are 75,000 American citizens and $1,000,000,000 of property, that they and other American citizens own. A widespread revolution in Mexico would place the citizens and the property in great jeopardy. English, French, and to some extent German interests there are also large. The slow-burning insurrection which has been going on in that country for a year or more, unlike former spasmodic risings of this character, has been increasing instead of being snuffed out as has heretofore been done by the strong hand of Diaz. The real reason why the revolution is not ended is that over the thousand miles of border between the United States and Mexico, there has been a continual flow of arms, ammunition, and men to give constantly renewed inflammation to the running sore. It is time for the United States Government to stop all this and the action now taken will accomplish this promptly.

Tariff Plan.

If the plans for tariff revision have been arranged as indicated by the Washington dispatches, the outlook is favorable for a reasonable minimum of disturbance. It is reported that the Tariff Board will co-operate with the Ways and Means Committee on the schedules which the latter may decide to take up. Within a few days the Ways and Means leaders and the Board will begin conferences at the offices of the Board and go over the material that is available. This is practical co-operation between the President, who absolutely controls the Board and its information, and the Democrats. This is not politics, but it is common sense. The Board, it is expected, is to form definite ideas as to what the tariff rates should be. These ideas will represent the President, and if approved by the Ways and Means Committee, will be adopted and passed. Bluntly speaking, any other course will court the President's veto. For those schedules demanding action, it is said the Democrats are settling down to three; cotton textiles, wool and woolens and iron and steel. Protection has become so intergrown that changes in one class will affect many others to a degree. Rates are interlaced. It is like an old garden. Cutting out one tree clips the roots of many growing things. But this is inevitable. The wounds will have to be allowed to heal as best they can and the ultimate results accepted. There is no other way. To expect an American Congress to revise the whole tariff scientifically is beyond the possibilities.

Harmony on these three schedules, and dependable agreement to limit action to these, would rob the extra session of much of its power to harm by reason of unsettling discussion as to the whole tariff.

Dictated by Wm. C. Cornwell Author

clipping

Currency Hearings.

The Monetary Commission is holding meetings with reference to arranging hearings at which banking bodies and individual bankers may appear, and possibly also representatives of Chambers of Commerce. It is not definitely announced that the Aldrich plan, which is only unofficially before the Committee, will be the subject of the hearings. It would be a mistake not to have this plan the prominent basis of discussion. It is the first concrete business proposition for currency reform on scientific lines, and especially adapted to the needs of the United States, which has ever been presented with high authority, and it possesses the elements on which the Currency and Banking laws may be remodeled with eminent success.

It is no argument against this method of procedure that the Commission itself has not officially adopted it. That is really an advantage because, as it is, the Commission is supposed to be advocating no set plan, but is in the attitude of the open-mindedness of a high court.

The hope of action eventually depends upon keeping the question out of politics and for that reason, as the proposition of Currency Reform is entirely a business one, the Chambers of Commerce and Boards of Trade of the whole country, if organized, would be especially equipped to exert their influence for the passage of a perfected measure.

Foreign Review.

The *Revue Mensuelle* of the Swiss Bankverein is just at hand, covering the month of February. The situation in America is reviewed in the following, which is a liberal translation:

"The economic situation expresses itself in improvement and the reaction which set in in the course of the second half year of 1910 seems to have touched bottom ground. Industrial slackening, in conjunction with the good crops of last year, and the large export of agricultural products, has already created a great monetary abundance in New York. Besides, in the course of the last week, American securities have found an outlet more easily on the European market and a number of new issues has already been completed with success, while many other operations are still in preparation. To this we may add that in the leading circles of American economy they do not despair, in spite of all the difficulties of a final understanding with regard to the various problems in suspense (trusts, tariff, freight rates, banking reform, etc.) and that they will probably succeed in finding an equitable formula that may not hurt beyond measure the reasonable interests of the capitalistic world. In consequence thereof, the Wall Street market has been more animated of late and a marked improvement has little by little accentuated itself under the influence of greater purchases by the public. Various new groups have recently come forward and plans of gigantic extension are being studied by certain railroad companies, such as Union Pacific, Pennsylvania, and New York Central.

"To a certain degree, the publication of the clauses of the new commerce treaty, based on the principles of reciprocity submitted for the gratification of Canada and the United States, has likewise stimulated; this agreement takes into account primarily an economic *rapprochement* between the two great countries of North America; in the meantime introducing preferential duties which will facilitate, above all, the export of agricultural products from Canada to the United States and the import of manufactured Yankee articles to Canada. This agreement is, in fact, being animatedly discussed in the parliaments of Washington and Ottawa, but in spite of the violent opposition made against it, it is probable that after a little it will receive the sanction of the respective assemblies. For the moment it would still be hazardous to attempt to appraise the whole economic import of the treaty, but it remains certain that this convention of reciprocity, if ever ratified, will not fail favorably to influence the development of the external commerce of these two countries, and while these factors may be diametrically opposed to the cherished plans of the apostles of Britannic imperialism, the proposition has nothing astonishing in it, inasmuch as it has now for a long time been notoriously public that Canada would pursue her own ways before she would consider imperialistic interests."

The Outlook.

The monthly report of the Steel Corporation shows unfilled orders totaling 3,400,543 tons on February 28th against 3,110,919 on January 31st—an increase of about 290,000 tons for the short month. This indication of the continuance of a satisfactory trend is in line with the developments in general business, although many industries are, like the stock market, in waiting attitude, but expecing better things. The reduction of the Bank of England's rate from 3½ to 3 per cent. coincides with the freedom of money all over the world. The total bank clearings for February show a reduction of about 2,200 million dollars from January, but this includes Stock Exchange transactions and taking these into account, the figures are about normal as to general business. Taken in conjunction with the money situation, this proves that we are able to do a normal volume of business and still have large reserves of idle money for financing at the right time, and forecasts most satisfactory financial conditions whenever other matters right themselves.

The market holds remarkably well considering the various uncertainties hanging over it and gives indication of a rise ultimately whenever these are cleared away. Speculation is largely invisible and the pending trust cases, combined with the possibilities of extra session disturbance, keep both investment and speculative sentiment conservative. All this is reflected in the quiet of the market. Whether or not the Supreme Court decisions will cause much of a break is now a question, but we believe that good stocks bought on any recessions and held, will show good profit.

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is immediately reflected in the raise of the discount rate, and this will continue until the equilibrium between business and the capital to adequately care for it is re-established.

It may be seen from this illustration that credit will expand and contract, and safely do so when properly mobilized for the necessities of business. Foreign countries have long practiced this custom successfully, while we have relied solely upon the cash represented in our widely scattered reserves, or our ability to assist each other.

A CENTRAL INSTITUTION.

It has been believed that it would not be possible to devise such a large financial institution which would not be dominated by speculative interests, and it has been feared a central institution would be controlled by politicians.

It has been argued also that it would promote inflation, and that such a central institution would prove a serious competitor for existing banks.

The objection has also been raised that the plan which would finally be submitted would be one for the benefit and protection alone of the large city institutions, leaving the banks located in the intermediary money centers and in the country dependent entirely upon the benevolence of banks located in the large cities.

The latter we have always maintained would be manifestly unfair, and would defeat the economic principles involved in the subject, and also the passage of such a bill.

We find instead that Mr. Aldrich and the commission have met the most progressive thought of the day, and have popularized their plan by making the proposed association so representative in character as to conform in many particulars to our present form of general government. This will be particularly noticeable in the method of choosing its directors, which not only gives due representation according to capitalized interest, but spreads the representation over all parts of our territory, giving to the various commercial and agricultural interests their proper representation

It is recognized that the beneficial effect of such a system will be extended into every branch of business in the country, including that of banking—giving a stability and liquidity to our commercial credits, and thereby place the business of the country upon a more economical and substantial basis, enabling us to compete with foreign countries and ultimately occupy a leading place in the financial world that a country of such unbounded resources, ingenuity and enery should enjoy.

PROVISIONS OF THE PLAN.

The plan proposed by Mr. Aldrich involves the establishment of the Reserve Association of the United States, chartered for 50 years and capitalized at from $150,000,000 to $300,000,000, of which one-half is to be paid in and the balance subject to call of the managing board.

The amount of capital varies somewhat with the number of banks who may become stockholders, as such banks are required to subscribe for an amount equal to 20 per cent. of their capital. A bank cannot sell or transfer such stock, but if it should go out of business the Central Association is obligated to redeem its stock at its fair valuation; hence, it will be seen that the control of the institution is placed safely beyond any influence of Wall Street or speculative interests.

Washington has been named as the proper place for the location of the head office.

It is provided that the country shall be divided into fifteen districts, with a branch of the Reserve Association located in each, bringing the Central Association within ready access to all of the banks of the country, thereby avoiding delay in the transaction of any business with the association.

The plan also provides for local associations in each district, which shall be composed of ten of more banks.

The Central Reserve Association, the branch association and the local association are each controlled by their own boards of directors, and the ingenuous method provided for the election of these directors is an effectual safeguard against any possible control of the Central Association by any individual or any class of banks.

In each of the boards two classes of directors are provided for. The first class constituting a majority are voted for without reference to the amount of stock held by the bank in the Central Association, one vote being cast by each bank. The second class, constituting a minority, are voted for by the banks upon the basis of the number of shares of stock held in the Central Association; hence, the larger banks would have a larger voice in the election of the minority members of the board.

However, in order that the Reserve Association may have the benefit of the advice of those engaged in other lines of business than banking, it is provided that additional directors shall be elected to represent the industrial, commercial and agricultural interests of the country, and in this we see the wide scope of the proposed plan, it being intended to serve every interest in the country on an equal basis—still further placing the bank beyond the control of designing persons.

In the Central Association the governor and two deputy governors, the Secretary of the Treasury, the Secretary of Commerce and Labor and the Controller of the Currency are ex officio directors. However, it is proposed the governor shall be elected by the directors of the central Institution for life, unless removed for cause, and this places the bank beyond any possible control of politicians. The deputy governors to be appointed by the President of the United States.

The profits of the Central Association are limited to 5 per cent. to member banks, the remaining profits after providing for a surplus go to the Government. It will be seen that the plan is not one which makes profit-making a vital or primary feature, but is more for the general good of the entire public.

The organization of banks to conduct business in foreign countries is also authorized. The stock of such an institution may be held by National banks, but the amount of stock so held shall not exceed 20 per cent. of a bank's capital.

It is very important that an avenue be opened to permit American banks to finance their vast foreign business instead of continuing the plan of permitting foreign banks to alone enjoy the profits of this business.

It is not intended that the Central Institution shall accept deposits except from the Government and such banks as are members of the association; nor is any interest to be paid by it upon deposits, though it has been wisely provided that such deposits with the Reserve Association shall count as reserve for depositing banks.

There never was any reason why the Government should take the money out of the channels of trade and lock it up, nor why it should on the one hand finance itself through the National banks, and on the other refuse to handle its business through them. The country has time and again seen the bad effects resulting from the expansion and contraction resulting therefrom.

Instead of the Reserve Association being an active competitor of other banks of the country, it will be able to lend most valuable aid to such banks at all times by the purchase of notes and bills representing commercial transactions.

Paper of this character which has only 28 days to run may be rediscounted direct with the Central Association, bearing, of course, the endorsement of the selling bank, and while it may be suggested that the paper held by a country bank usually has a much longer time to run, and hence this provision would be of no avail to such a bank, yet it must not be overlooked that though the paper may have originally had a longer time to run, the country banker can arrange his maturities exactly the same as the city banker, and have paper with a maturity of not more than 28 days coming in daily, so that should he find it desirable, he can substitute one for the other until such time as he has been able to make collections and retire his paper at the Central Association.

The amount so discounted shall not exceed the capital of the bank, nor any one loan exceed 10 per cent. of a bank's capital and surplus.

Commercial paper maturing within four months may also be sold to the Reserve Association by member banks, who must endorse it, and it must be guaranteed by the local association of which the bank is a member.

In times of unusual stress the Central Institution may accept the direct obligation of a depositing bank, guaranteed by its local association, which shall be properly secured by collateral. But such loan shall not exceed three-fourths of the value of the collateral.

It is provided in the proposed plan that the rate of discount shall be uniform throughout the country; hence, it will be seen that the plan operates with fairness and equality to all, and that every bank in the country would have access to and enjoy equal privileges of the association.

It will be noticed that in the plan it is recognized as a proper and necessary function of banking to temporarily, at least, assume liabilities in the ordinary conduct of their business, in opposition to the restrictive policy now enforced both by law and custom in this country, whereby banks are wont to resort to subterfuge rather than rediscount their paper, or borrow money, on account of the possibility of criticism from the department or by the public. I believe it perfectly proper for a bank to exercise this function to meet the legitimate requirements of its customers, and the fluctuating condition of its business.

The Reserve Association is also authorized in the plan to discount acceptances, issue notes, buy bullion and transact a foreign exchange business, and National banks are authorized to accept short time commercial paper drawn upon them.

In the authority given to the Reserve Association to buy acceptances and the power given to National banks to create such paper is one of the most important and necessary changes in our present system.

Continuing, Mr. Reynolds enters into a comprehensive and detailed exposition of the Aldrich plan, the features of which are, in the main at least, familiar to the readers of THE FINANCIAL AGE. Discussing the changes in the methods of conducting business which are likely by the adoption of the plan, he says:

Distinction will be made between commercial and investment enterprises, and the two will no longer be indiscrimnately merged in one evidence of debt as is now the case with promissory notes.

It may be difficult in the beginning to break through the cordon of long usage and ancient custom, but the progress of business shows little regard for the antiquities, and a perfection of any new system will naturally introduce innovations.

It will also be noticed that it is the purpose of the plan to place the funds of banks in assets which will be liquid in form; that is, that loans will be made upon existing values which, when turned, will meet such obligations. In other words, it is fundamental in any system which has for its purpose the regulation of the flow of currency in its expansion and contraction to meet the commercial needs of the country, that loans which are to be substituted for such currency shall be made only to borrowers who can pay at maturity, thereby guaranteeing the ultimate retirement of the currency.

In the promissory note system, which is in vogue in this country, it has been demonstrated time and again that too little thought had been given to the ability of the borrower to meet his obligation at maturity, hence placing the banker in the unfortunate position of being unable to meet the demands made upon him, thereby disturbing public confidence in him and the banking business generally.

The banking business in this country has been one of its greatest developing forces, not excepting any other element. The bank has accepted deposits and has loaned the funds into all channels of business and development, standing in the breach between the depositor and the risk entailed in extending the credit to the borrower; hence, it is proper and fundamental that all of its loans should be put upon the safest basis possible, with the widest market, in case of need, for rediscount, and that its paper should bear such names as have the reputation of meeting their obligations when due.

As a logical and necessary sequence to the establishment of a central association such as is suggested, must follow the maintenance of a discount market, or system for the handling and distribution of the various evidences of indebtedness which it is expected will come into use and displace largely the unliquid form of credit now embodied in the promissory notes.

For a complete and convenient method of making such credits available, without awaiting their ultimate payment, the bill of exchange has for a long time, both in the country of its origin and for foreign use, proven its adaptability. By its use the banker adds his credit to that of his customer's and all previous signer, and a debt which in the first instance was a contract between two parties only, and in that stage tied up and withdrew from activity the amount of capital it represented, now becomes a fluid and quick asset in the hands of the holder.

Where formerly the dealer in any line exerted his credit by the use of the promissory note, either through his broker or directly with his bank, and renewed his outstanding indebtedness from year to year, thus covering losses and concealing his true condtion, such practices will now decline, as the weeding out process will begin by inspection and scrutiny of bills of exchange offered on the open market.

The open sale and certainty of market for such bills will afford an avenue of investment to the country banker in safe and liquid bills available for the purpose of strengthening his reserve without depleting that of his neighbor or city correspondent, and without the discredit to his business that now attaches to rediscounting his paper under our present system.

As a corollary, the general financial situation in the entire country will be maintained in a more nearly normal condition at all times, for if the country banker in quiet times in his locality can find safe investment in bills on the open market, his surplus will be so invested instead of accumulated in the hands of his city correspondent at an unprofitable rate of interest to him, while its plethora acts as a temporary expansion in the locality holding it, and gives an abnormal impetus to speculation.

A greater advantage from the use of bills of exchange as contemplated will accrue in our foreign commercial relations, even than what we may expect in our domestic transactions. If bankers' bills be legalized, they can be made equally attractive to foreign investors to those now used between European traders in their international business. Under existing conditions we have no form of commercial investments to offer the foreigner, and hence can have no rate analagous to other countries; our rate being for promissory notes made by individuals, firms or corporations that may or may *not* have ratings accessible to foreigners, they cannot with safety handle them.

If, now, bank acceptances in the same manner that promissory notes are now used were made legal, the foreign banker and investor would be in a position to accurately determine the desirability of the offerings, and an immediate market for them would appear. Brokers would at once commence to purchase such paper, first for their bank clients, and for private investment, and probably last on foreign orders when rates made it inviting for the foreign banker and investor, or the conditions of exchange warranted the use of cash in that way.

No legal enactment or organization will be needed to authorize or empower such a market to do business. The selfish opportunity to make a legitimate profit in commissions will be sufficient to initiate and maintain it, if the Government will liberalize the banking act to the extent of permitting banks to accept paper for their customers.

This would give to these bills an international character and be a passport for them to the money market of every foreign nation.

Such a feature in their use, while not only opening to our commerce the use of foreign capital, will also assist in placing us on a parity with foreign nations in maintaining *our* gold reserve, a function which will be required of the Central Association.

That the proponents of the plan had this always and clearly in view is not at all surprising, as it is the vital thing to be accomplished when we seek to so arrange our business relations as to place ourselves on a par with other nations in the competition for business.

The only international legal tender is gold, because when settlement of balances due from the individuals of one country to those of another is required, that alone is accepted.

When, therefore, the commercial interests of the United States, having exported all the surplus grain, cotton or other products that the home market can spare, still finds a balance due the foreign traders or their bankers who have accepted bills for account of Americans, the settlement must be made in gold, unless foreign investment in our stocks and bonds will make up the deficit.

If, now, bills of the character described were offered, their rate of discount, owing to the very conditions herein described, would be sufficiently high to attract foreign investments, and our balance would be settled in bills instead of the basic money.

The interest, therefore, is the fundamental factor in the transaction and the discount rate fixes the amount of compensation the investor receives as interest.

In answer to the objection that operations under the note-issuing power of the Reserve Association might result in undue inflation, Mr. Reynolds says that the same condition exists at the present time, but in a worse degree than could exist under the proposed plan. Circulating notes besides those issued in lieu of the present National bank notes will be issued by the Central Association only against assets arising from commercial transactions, and their issue will only occur after the commercial transactions which call them forth have taken place, and remain out only as long as the debt which called them into existence will exist. When that is met, the association will receive in its payment either gold which will immediately become an offset against the notes, or its own notes in extinguishment of the debt, in which latter case such notes will be retired.

The only inflation which can result is by an increase in the gold reserve. This is a healthy condition of finance and arises normally from conditions of demand and supply in trade and commerce, and is not recognized as currency inflation in any sense of the term.

It must be remembered that the same rate of taxation on circulation will remain for that part outstanding which is secured by bonds of the Government, and a tentative plan is proposed by which the Government will tax the further issues when in excess of a certain specified amount and then only in proportion to deficiency in the gold reserve held against the issue.

As long as the issues are confined to the needs of actual commercial transactions, they will either retire themselves by completion of the trade and payment of the debts, or return an equal amount of gold to the reserve. In either case, their use has been for legitimate business, and no tax will be necessary to keep them within proper limits; hence, none should be levied by the Government.

In conclusion, Mr. Reynolds said:

The plan proposed would enable banks to convert commercial paper into cash at any time, operating through the ordinary channels of trade, the contraction and expansion exactly meeting commercial requirements. Business would be handled upon a more comprehensive basis, and the needs of industry, commerce and agriculture would be properly met without dis-

ALDRICH'S "CENTRAL BANK" SCHEME DENOUNCED.

"Central Bank in Disguise, Says ex-Secretary—Means Wall St. Control."

"SPECIAL TO THE NEW YORK TIMES."

"PHILADELPHIA, Jan. 18 [1911]—Leslie M. Shaw, ex-Secretary of the Treasury, regards as vicious Senator Aldrich's new bank reform plan. In an interview to-day Mr. Shaw said that the Reserve Association of America, which Mr Aldrich makes the principal feature of his plan of revision, is in fact "the same central bank which Mr. Aldrich and all the **interests,** Wall Street in the lead, have favored for years." * * *

"How the INTERESTS Will Control."

"Suppose a bank at Spokane needs help. It will submit its commercial paper to one committee after another until it **finally** reaches Washington. **Here** it will be passed upon **again,** and, **if** accepted, currency will be shipped. This ought to reach Spokane **before** the **receiver makes** his **final report** [!!], but help need not be expected under thirty days.

"The plan is **not** intended, however, **to help Spokane.** If Spokane wants help it should ask its New York correspondent, and its New York correspondent may get help from the central institution.

"A steel plant is being built in Seattle; it owns large deposits of iron in Nevada and in British Columbia, and very large coal deposits in the vicinity of Seattle and on Graham Island. Does any one doubt that if this company develops into a rival of the United States Steel Corporation its credit will be good and unlimited at every bank in touch with the central institution **until** it has become somewhat extended, when **suddenly,** and at a **critical** and **opportune time,** its paper will be no better than was the paper of the Tennessee Coal and Iron Company in 1907? History will repeat itself, and another possible competitor will be absorbed.

"Such an institution **can fix** the **price** of **cotton, wheat,** and **every other** product. It can **encourage** the **banks** to **loan 15 cents** per pound on **cotton** or **discourage** their loaning more than 7 cents. **It can establish or ruin** the **credit** of any individual or corporation dependent upon credit. Such an institution, whatever its name, puts the business of the United States of America **absolutely** and **irretrievably** in the hands of Wall Street.

"I am personally very fond of the Senator from Rhode Island. I have eaten at his table, slept beneath his roof, and I have planted a tree in his magnificent park. He is a man of extraordinary ability. His family connections are very distinguished and his business affiliations are of the best. As an **adroit** legislator, as distinguished from a constructive statesman, I think he stands **without a peer** in the history of the United States. **His** new currency plan **is admirably** adapted to CONCEAL its purpose." * * *

A Notable Proverb from Farther India.

He that knows not and knows not that he knows not is a fool, **shun** him.

He that knows not and knows that he knows not **is** ignorant, **teach** him.

He that knows and knows not that he knows is asleep, **wake** him.

He that knows and knows that he **really** knows is wise, **follow** him.

"CURRENCY CONFLICT"

—Said GARFIELD in 1876.

The following is a brief excerpt from an exhaustive article (18 pages) entitled "THE CURRENCY CONFLICT" from the pen of PRESIDENT GARFIELD.—Atlantic Monthly, February, 1876:

" * * * Third. A legal-tender note not redeemable, but exchangeable, at the will of the holder, for a bond of the United States bearing 3.65* per cent. interest, which bond shall in turn be exchangeable, at the will of the holder, for legal-tender notes. In order that this currency shall be wholly emancipated from the tyranny and barbarism of gold and silver, most of its advocates insist that the interest on the bonds shall be paid in the proposed paper money. This * * is regarded as THE GREAT discovery of our era. * * *

"Mr. Wallace P. Groom, of New York, has characterized this currency in a paragraph which has been so frequently quoted that it may fairly be called their creed. It is in these words:

"'In the interchangeability (at the option of the holder) of **national paper money** with government bonds bearing a fixed rate of interest, there is a subtle principle that will regulate the movements of Finance and Commerce as accurately as the motion of the steam-engine is regulated by its 'governor.' Such PAPER MONEY TOKENS would be much nearer perfect measures of value than gold or silver ever have been or ever can be. The use of gold or other merchandise as money is a barbarism unworthy of the age.' "

* In 1876 3.65 per cent (equal to 10 cents per day on $1,000) was a judicious rate. Interest on such "interchangeable" bonds should NOW (1911) be equal to, say, 4, 5 or 6 cents per day, on $1,000—W. P. G.

Food for Serious Reflection.

If ONE dollar be invested and the interest added to the principal annually (**not** semi-annually, as in Savings Banks), the following results, as the accumulation of **one hundred years:**

$1,	100 years, at	1	per cent. per annum,	$	2¾
do	do	3	do	"	19¼
do	do	6	do	"	340½
do	do	12	do	"	84,675
do	do	24	do	"	2,551,799,404

Creditor vs. Debtor Nations.

Creditor Nations "grow fat" under false systems of finance which rapidly impoverish **DEBTOR** nations—unless the latter are large owners of virgin soil, etc., etc., which may give (**TEMPORARILY**) practically unlimited **natural** resources. That **DEBTOR** nations should **STUPIDLY** permit creditor nations to obtain possession so largely of their products without properly reducing their aggregate indebtedness, indicates crass ignorance on the part of the former.

The fact that the value of exports of the United States, for many years past, have exceeded the value of our imports by hundreds of millions of dollars, annually, and that at the same time our indebtedness to foreigners remains stupendous (through the payment of usury at excessive rates—the outgrowth of **FALSE** finance) is a matter of which a civilized people ought to be **greatly** ashamed.—WALLACE P. GROOM.

The Science of Money BRIEFLY Set Forth.

From the N. Y. Mercantile Journal, July 3, 1865.

"In the *interchangeability* (at the option of the holder) of *National Paper Money* with Government Bonds bearing a *fixed** rate of interest there is a subtile principle that will regulate the movements of Finance and Commerce as accurately as the motion of the steam engine is regulated by *its* 'governor.' Such *Paper Money Tokens* would be much nearer perfect measures of value than gold or silver ever have been or ever can be. The use of gold or other merchandise as money is a barbarism unworthy of the age.—WALLACE P. GROOM.

"*Subject to change after due notice."

Copy

New York City, Feb. 12, 1905.

Dear Sir:

Since true Legal Tender will be pure Life Blood of Commerce the inauguration of such Money (a Currency of uniform exchangeable value) is of paramount importance.

Intensely earnest and diligent research, in the broadest fields of Monetary affairs, forced the writer many years since, to appreciate the imperative need of sound, honest Money-tokens—unfortunately never uttered, as yet, in perfect form.

For more than thirty years I have not known the day when I would not have cheerfully accepted dire poverty for the remainder of my life, if thereby I could have secured the enactment of United States laws putting into effect, immediately and thoroughly, the foundation principles set forth in the apothegm printed hereon—and this, even though greater riches than are possessed by a group of Carnegies, Rockefellers, Morgans and Goulds could have been mine, as the price of my consent to be the effective instrument (if this were possible) of postponing the enactment of these beneficent laws for One Hundred years.

Because of these views I used the press and mails very largely in the Seventies and Eighties (almost regardless of cost) and since, to the extent of my ability, I have strongly urged such legislation, as I do now, for the public good.

I regard the delay in enacting such justice-promoting laws a National calamity and therefore beg your hearty co-operation.

Respectfully Yours

Wallace P. Groom

To Hon. Leslie M. Shaw,
Secretary of the Treasury,
Washington, D.C.

Poverty, with its resultant environment, has been, from time immemorial, the basic cause of greater demoralization, misery and wrong-doing than that chargeable, primarily, to the crime of drunkenness.—WALLACE P. GROOM.

Some EXCEEDINGLY Important Facts.

Since it is a fact that ***National*** Governments (***only*** and singly) have the recognized right to "coin" (*i. e.*, fabricate) Money, it therefore becomes a solemn, an ***imperative*** duty of such governments to ***use*** and to ***safeguard*** this important function and thus provide necessary Legal Tender for the discharge of monetary obligations throughout the several realms, respectively.

Paper has been found, in practice, to be thoroughly-well adapted for use in "coining" (*i. e.*, fabricating) Money. The value of Money "coined" (*i. e.*, fabricated), of paper, will be uniform and as stable as the National Government which coins it, and adequate for the use of all the people properly interested therein. Its volume will ***exactly*** and ***constantly*** equal the Currency Needs of Commerce in every "nook and corner" of the National domain—***provided*** such Money tokens are made interchangeable in sums of, say, one thousand ($1,000.) dollars, and multiples thereof, at the ***option of the holder,*** with bonds of the Government coining it, said bonds bearing an ***equitable*** rate of interest. Money tokens of this character will be found, beyond comparison, a ***sound, honest, justice-promoting-labor-saving*** Currency—in times of peace and in times of war.

A National Government should ***never*** enter into the banking business. It is ***wrong*** for Governments to *lend* ***money*** or ***credit*** in any form or in any degree whatsoever to individuals or private corporations ***while it levies taxes*** of any description for revenue.

An IDEAL Use of Superlatively-Good Money.

The United States, coining superlatively-good Money as fully set forth elsewhere, may properly loan to each of the several States, upon requisition therefor, a maximum of, say, ten dollars per capita, receiving for the loan bonds of the States, respectively. Said bonds should bear interests at three (3) per cent. per annum (or less), payable periodically. The principal may wisely be made payable at the option of the maker as well as payable on demand of the holder, say, two years after formal notice. The use of Money thus "coined" (*i. e.*, fabricated) by the U. S. Government and loaned to the several States, may be restricted to retiring outstanding bonds of the respective States, which bear a higher rate of interest, and for payment for *doubly* approved public works.

All of the Money thus coined by the National Government, being interchangeable at holder's option with Government bonds, bearing an equitable rate of interest, would make such bonds available as an ***ideal*** "Reserve."

Facts—Mathematical—of Grave Importance.

"***If*** capital, for a short period (in National affairs) of 100 years, can surely have ***simple*** interest (formerly called usury) added to the principal yearly (less frequently than by Savings Banks) it will increase as set forth below:

Per Cent. per Annum	Increase No. of Times	Times Greater than at 1 Per Cent.
One	2¾	—
Three	19¼	7
Six	340½	124
Twelve	84,675	30,791
Twenty-four	2,551,799,404	927,927,056

"The very great difference in the increase at the several rates of 'interest' noted above is a marvel of marvels. It is worthy of *largest* consideration in connection with the Currency Question.

"***If*** it be true that an equitable rate of 'interest,' when the element of *risk* (which should be considered as *insurance* for the return of the principal—not rent for the use of Money) is *positively eliminated*, is ***less*** than 3 per cent. per annum, payments of 6 per cent., and upward on ***large*** sums of money in ordinary business affairs ***must***, as a ***general rule***, lead to bankruptcies. Hence the very great need of wise and equitable currency adjustments by the Government which will surely maintain (***not by usury laws***) a just rate of interest to the great benefit of ***lenders*** as well as of the borrowers, for it must be conceded by all that to put the latter (the geese which lay the golden eggs) out of commission is to cause great loss to the Nation.

NOTABLY-WORTHY PULPITS.

Unless men have commendable desires and sufficient knowledge of mundane affairs, affecting everyday life, to cause them to be fairly-robust and **true** citizens, they cannot adequately fill "Notably-worthy Pulpits." The teachings of men who allow themselves to become so **oblivious** of important matters, **terrestrial,** as to **lack practical** knowledge thereof, will not, in the nature of things, receive much consideration by intelligent men—regarding **ANY** subject.

Preachers accept the **sacred** service of **teaching** and by so doing **SOLEMNLY promise** to **seek WISDOM,** and seek diligently, that they may be **ABLE** to teach (to radiate) truths relative to rational duties of men to their fellows—and thus their duty to God. The Master saith: "Inasmuch as ye did it not to one of the least of these, ye did it not to me."

Those who ought to know and doubtless do know, make exceedingly sorrowful statements to this effect: Of each 1,000 persons who die in New York City, more than 300 die prematurely—their lives being shortened many years by over-work and semi-starvation combined, the result of dire poverty. More than 100 of each 1,000 (performing little, if any, **USEFUL** service) also die prematurely as the result of over-eating and various indulgencies. These unfortunate conditions grow chiefly from exceedingly unjust distribution of the products of labor promoted by **FALSE** finance which is the natural outcome of **injustice-breeding** Currency, loosely called Money.

Rabbi Stephen S. Wise, doubtless having in mind a **LONG** line of weary and **disconsolate** human beings who stand in the street and **WAIT** at **midnight-hours**, almost regardless of weather, for a dole of bread, recently remarked at a notable public gathering, as follows: "The pitiable thing in New York is not the bread line but the **dead line**—which you cannot see." The preachers, who are **thoughtless** as to **terrestrial** affairs and therefore fail to recognize the very grave significance of these vastly important matters, are **GRIEVOUSLY** at fault.

Important benefits would result if Pulpit-teachers should earnestly ponder the subject and then cooperate, **at least** to the extent of writing a few words to U.S. Senators and to their respective members of the House of Representatives,* urging the **exceedingly simple, conservative** and **SORELY needed** Legislation asked for in a letter written by Mr. Wallace P. Groom, under date of October 3, 1911, to "President William H. Taft and members of the Congress of the United States"—addressing them as "Honored co-guardians." To facilitate the important work, copies of this letter are inclosed herewith. **THINK! ACT!**

It will be noticed, doubtless, that Mr. Groom emphatically declares, in substance, that the inauguration of a "Sound, Honest, and in every way Justice-promoting Currency," so greatly transcends in importance all other **Secular** matters, which need the earnest attention of mankind, as to be beyond comparison. With equal emphasis he states that the Legislation required to establish a practically* perfect Currency in the United States, under conditions existing **at this time,** is simple to the last degree. This highly favorable condition is evidently due to earnest and potent work done in the Sixties, Seventies and Eighties of the Nineteenth Century. Some say it is Providential. It is certainly **VERY fortunate.**

In another connection Mr. Groom states that "boys while in their teens (if fairly-free from blinding prejudices, and simply possessing mediocre brain power) should be able to understand the Currency Question promptly when set forth (even very briefly) by **strictly honest** men of average intelligence."

In the letter of which copies are herewith enclosed, as stated above, the **metal** gold seems to have been mentioned quite incidentally, if not intentionally ignored. It is fair, however, to assume that the writer thereof is specially gratified that Thomas A. Edison, the Sage and greatest expert in Metallurgy and the uses of metals in the arts and manufactures, declares that gold is almost **without intrinsic** value and that he has, through the press, also suggested that its appropriate use is the gilding of picture frames. And further that Mr. Edison has called attention to the fact (which should be known by all instructors) that the commercial value of gold is, in **very** large degree, artificial, the current market price thereof being almost **solely** due to the laws directing the unlimited purchase of that metal and its Coinage by the United States and Great Britain at figures designated by those laws which **most** absurdly make gold, **when coined,** Legal Tender throughout the respective jurisdictions of the two Governments named.

With the foregoing facts in mind little need be said regarding the exceedingly complex, impracticable and grotesque mechanism of the proposed Central,—"What-do-you-call-it?" i. e., "The Aldrich Plan." It will be countenanced **only** by the thoughtless, outside of this ex-Senator's U. S. Monetary Commission, its paid emissaries and others who hope to become **direct** beneficiaries. Promotion of the unholy scheme underlying the work of that Commission has, thus far, cost the United States, **directly, MANY** thousands of dollars. It is unworthy of commendation in any of its features. Only condemnation of the monstrosity is due. The ends sought by ex-Senator Aldrich (and his partners in this scheme) are not permissible in a country of enlightened freemen.

It is earnestly hoped that the Preachers, far and near, may recognize it to be a bounden duty to give earnest consideration to the matter of being robust in **true** citizenship and that they may consequently render active service in promoting education along lines of practically-applied common sense, and thus honorably fill "Notably-worthy Pulpits." It is firmly believed that by properly-developed, thoroughly-Christian, activity regarding terrestrial affairs mentioned herein, that the hold of the Churches upon the masses would be strengthened, **GREATLY.**

* And to President Taft, also.

Expressions of opinion by Preachers relative to the matter set forth in this paper (pro or con) **is especially desired** by the Education Promoters Association—correspondence office, 104 Fort Greene Place, Brooklyn, N. Y. City.

One hundred ($100) dollars will be paid by this Association to the first person who succeeds in submitting to it a clear demonstration of material error in Mr. Edison's statement in re the intrinsic value of gold as mentioned above. That the whole **truth** of the matter should be widely declared is **important to everybody.** Will also pay $100.00 to the person who first delivers, say, an ounce of material, native or imported, **properly certified** to be a TRUE "Standard of Value."

Respectfully submitted, with compliments of the
Education Promoters Association

With compliments of
Education Promoters Association

Brooklyn, N. Y. City, October 3rd, 1911.

President William H. Taft
and Members of the Congress
of the United States

Honored "Co-Guardians":

Thanking the President and many Members of the Congress for kind consideration shown, permit the undersigned to address you, collectively, regarding the Currency Question, yet again. As the inauguration of a stable, justice-promoting Currency is the *most important* SECULAR matter that can engage the attention of mankind, it should receive the very best attention from legislative Co-guardians—honored by election to service of high degree. Neglect of duty, on your part, *as such Co-guardians*, in the matter of establishing a Currency upon an honest, commonsense basis is a VERY *serious* matter.

Pardon the writer for adding the declaration that all *really* worthy Citizens, of notable intelligence, will naturally seek to know, also to teach, the TRUTH in relation to this subject of PARAMOUNT importance; combating erroneous and injustice-breeding practices in connection therewith, however ancient they may be.

Kindly note, with care, *part* of a letter, of comparatively recent date, addressed to the President by the writer of this letter and repeated here, in substance, for convenient reference in connection with further observations, to wit:

"The Government should hasten to accord to holders of U. S. Legal Tender Notes, now in circulation, the right of option to exchange such currency at pleasure, in sums of $1,000, and multiples thereof, for U.S. Bonds. Of these Legal Tender Notes, authorized by Act of Congress, March 3, 1863, there are now in use, say, $346,000,000. To promote the best interests of the people the proposed U.S. Bonds should be made payable on demand with accrued interest in U. S. Legal Tender Notes. The interest should be, say, 5 cents per day on each $1,000. The right to change the interest to, say, 6 cents or to 4 cents per day per $1,000, or to any other rate, upon due notice, should be reserved by the Government. Under the simple method, briefly outlined here, an inherent subtle principle will regulate the movements of Finance and Commerce as accurately as the motion of the steam engine is regulated by its 'governor'—to the VERY GREAT BENEFIT of mankind.

"The Legal Tender Notes thus received by the Government, in exchange for Bonds, might be used wisely and justly in paying off, at par, U. S. 2 per cent. bonds (now usable by the National Banks in obtaining notes for circulation) and also in paying Panama Canal claims and other duly recognized obligations of the Government—but in no case with added premium.

"Inasmuch as it has been conceded to be right and proper, by the Congress, for more than TWO SCORE YEARS, to have more than $300,000,000 of Legal Tender Notes in circulation, there CANNOT BE CONSISTENT REFUSAL, by the Congress at this time, to authorize the issue of other notes of similar character to meet any semi-emergency demands, for Currency, if such demands should be made by holders of United States Bonds issued in exchange for the Legal Tender Notes now outstanding.

"The right reserved by the Government to change the rate of interest on the Bonds, as set forth herein, upon due notice, gives to Governmental management all the control over the outstanding volume of Currency, issued in adjusting Government indebtedness, that can be, righteously, desired —practical uniformity in debt-paying power (and in purchasing power also) being maintained AUTOMATICALLY by interchangeability with U. S. Bonds at holders' option. It is conservative to declare that the blessings which would flow from such adjustment of the Currency would be so diversified and great as to be beyond computation."

For the purpose of giving emphasis to the great importance of a Justice-promoting Circulating Medium, let there be brought into juxtaposition with Currency-facts some exceedingly valuable statistical information furnished by the Government regarding the large volume of Imports and Exports of the United States. Here is much food for thought. It is an alarming "condition, not a theory, that is confronting the nation."

These statistics show that the EXCESS of EXPORTS over IMPORTS for 20 years (1890 to 1909, inclusive) reached the Colossal sum of Seven Billions, Four Hundred and Twenty-eight Millions, Two Hundred and Forty-eight Thousand ($7,428,248,000) Dollars—a sum much larger than the value of the entire personal property in each of several important States of our glorious Union. This fact forces important questions upon the attention of all intelligent well-wishers of our Country.

What became of the INTRINSIC values represented by the remarkably large sum of Seven Billions, Four Hundred and Twenty-eight Million ($7,428,000,000) Dollars, in round numbers, as shown by the official statistics to be the "*balance*" in favor of the United States for Exports in EXCESS of Imports during the last 20 years? The importance of the question looms *very large* when it is remembered that the combined indebtedness, public, corporate and otherwise, of the United States to foreign countries continues to be stupendous.

Is it not a fact that our EXPORTS for the period named were made up as theretofore, chiefly of Cotton, Wheat, Corn, Meats, Butter, Cheese and numerous other products having *notably* INTRINSIC and stable values? And is it not also a noteworthy fact that the IMPORTS consisted, in major part, of merchandise which LACKED the element of INTRINSIC value, IN LARGE DEGREE? What response can be made, honestly as well as intelligently, to the foregoing queries? Is not the matter of *excessive* usury (i.e., interest) charges on deferred payments of monetary obligations and the oft repeated, though indirect, renewals thereof (in multitudinous ways) a HIGHLY IMPORTANT factor? By what means can this SERIOUS BURDEN be removed, never to return? Is there a remedy for this bad economic condition? Answer: Yes; and it is very simple, in EVERY RESPECT JUST, SURE!

Let pertinent suggestions as to causes of the untoward condition be interjected here: *Barbarously imperfect* "Legal Tender," with consequent imperfect Monetary methods, has, from time immemorial, given creditors very large advantage over debtors throughout the world, to the GREAT INJURY not only of careless debtors, but, in the FINAL *analysis*, of ALL mankind. The way of escape from the toils, the ONLY way, is through the inauguration of a Sound, Honest, Justice-promoting Circulating Medium —ALL LEGAL TENDER. Such Currency, National Governments, SOLELY, are qualified to supply. That co-operation of individuals or corporations, of any sort, in the discharge of the Governmental function of supplying a Circulating Medium is NOT *permissible*, in any form or degree, either as a matter of equity or APPLIED common sense, is the firm conviction of the writer.

Inasmuch as the vast sum of Seven Billions, Four Hundred and Twenty-eight Million ($7,428,000,000) Dollars, reported, was absorbed in very large part, if not entirely, by interest (i. e., usury) payments on Bonds and other indebtedness, together with dividends on Stocks, etc., held in Europe, this fact should cause DEEP concern.

As "borrowers are servants of lenders," America has become a "Hewer of Wood and Drawer of Water" for the "money lenders" of England, France, Germany, etc., etc. And since the Ravine, in Monetary matters, into which, as a nation, we have STUPIDLY drifted, is DEEP, it follows that the most expeditious and certain way out of the present, very unfortunate, situation should be adopted and the long, laborious climb begun, without delay.

The writer is firmly convinced, as the result of VERY *earnest* study of the Currency Question, under *excellent* opportunities, for more than two score years—antedating the panic of 1857—that the righteous course for the United States to pursue is plain, the *result certain* and in every way JUSTICE-promoting. It lies EXCLUSIVELY with the National Government. It ALONE has the right to coin (i. e., fabricate) money—a "Circulating Medium," aptly called the "Life Blood of Commerce." And it is the IMPERATIVE duty of the Government not only to safeguard this important and EXCLUSIVE function, but also to use it to the EXACT EXTENT of the Currency NEEDS —at ALL times—of the people over whom it has jurisdiction.

That the important function of coining (i. e., fabricating) money by the National Government is conceded to be EXCLUSIVE is indicated by the fact that the right of the National Government to levy, annually, a tax of TEN (10) per cent. on all circulating notes of "State Banks" (and upon all other possible forms of a Circulating Medium UNauthorized by the Congress) has NOT been contested—not questioned.

A just and wise mode of procedure, under existing conditions, the writer claims is indicated in the foregoing paragraphs of this letter. It is also, incidentally, declared that there *never has been and never will be "International* MONEY"—i. e., before the Millennium—and further, that there is neither *present* or *prospective* need in that direction.

Brief reference should be made here to the United States Legal Tender Notes of the Sixties and Seventies. To demonstrate the need of change in the wording of the declarations and promises inscribed upon them, and for another purpose also, the writer, in March, 1873, caused one of these notes (for $100) to be protested at the U. S. Sub-Treasury, New York City—the place where it was made payable. This note was again protested March 21, 1873, at the office of the U. S. Treasurer, Washington, D. C.

General F. E. Spinner, who had then been U. S. Treasurer for about 10 years, was at first *greatly* displeased. However, upon further consideration of the object of the protest, as explained in an address by the writer, in a Public Hall, in the evening of the same day and printed in full (5 columns) in a Washington, D. C., paper, Treasurer Spinner became a VERY EARNEST advocate of the Currency reform herein urged. He was a noble co-worker (as were many others) and continued till death a very warm personal friend.

One object had in view was promptly accomplished by the protest. The Secretary of the Treasury withdrew, on behalf of the Government, LARGE ORDERS for wrongful purchases of "U. S. 5-20 Bonds," such as had been made at premiums ranging from 15 to 20 per cent. and increasingly higher figures. Millions of dollars, however, had been thus *wrongfully* paid, in addition to the principal of the "5-20 Bonds," notwithstanding the 5-year option, reserved by the Government, had matured.

For excellent reasons, the declarations and promises inscribed upon U. S. Legal Tender Notes should be again changed somewhat, as all ground for legal protest, under any circumstances, should be obliterated. The fact should be mentioned, in this connection, that these Legal Tender Notes have been practically held at a premium over gold and all other forms of Circulating Medium during the larger part of the last thirty years. The only exception has been (and for SPECIAL REASONS) the circulating notes of FAILED "National Banks" of former days. Premium on the circulating notes of "BROKEN" NATIONAL BANKS of those days (for UNIQUE reasons) often reached more than 5 PER CENT.—over COINED gold.

Much of the time, during the thirty years as stated, the premium on U. S. Legal Tender Notes, *publicly recognized*, has been chiefly a *strong* preference in addition to saving in matters of storage and cost of transportation. It is well known, of course, in the "Financial World" that in the panic-years, 1893 and 1907, the demand was so strong for all classes of "Circulating Medium" authorized by the U. S. Government, excepting only pennies and nickels, that sales thereof were made in large aggregate amount, at premiums ranging from two to five per cent. Sellers received therefor checks on National Banks, certified "Good through the Clearing House."

That the legalized "Circulating Mediums" of the world are a disgrace to the Nations is apparent. And as related to the United States, especially, has been often so declared, publicly, by members of the U. S. "Monetary Commission," ex-Secretary of the Treasury, Lyman J. Gage, Andrew Carnegie and many others—within the hearing of the writer. The people of the United States of America can be freed from this disgrace and from the SERIOUS burdens which barbarous monetary conditions impose. This freedom may be secured through conservative, thoroughly honest, common sense legislation—ALL in harmony with the foregoing.

Large consideration is given, these days, to "Conservation." That genuine Conservation of Timber, Coal, etc., etc., is of large importance, all will admit. However, it should be understood that the *highest-grade-and-largest-benefit "Conservation,"* may be realized by HUMANELY conserving the innate powers of animals—Men and Beasts. This ability for service of men and beasts should NOT be unnecessarily diminished either by overwork, by unemployment, or by *underfeeding*. To best conserve the rights of ALL, it is necessary that Commerce should be nourished by an adequate, AUTOMATICALLY-regulated, supply of sound, honest Currency. Therefore, a stable, JUSTICE-promoting Currency is truly, as the writer claims, the *greatest* SECULAR *need of mankind.*

Respectfully, etc., etc.

Wallace P. Groom

CONDENSED REPORT

OE THE CONDITION OF THE

Kentucky State Banks

AND

Trust Companies

OF KENTUCKY

At the close of Business December 5, 1911.

BEN L. BRUNER,

Secretary of State.

COMMONWEALTH OF KENTUCKY

OFFICE OF

SECRETARY OF STATE

Abstracts of Reports of Condition of the 473 State Banking Institutions of Kentucky, at the close of business December 5th, 1911.

RESOURCES.

Loans, discounts, overdrafts	$69,728,093.91
Bonds and securities	10,438,055.63
Banking house and real estate	3,953,187.65
Furniture and fixtures	956,234.87
Cash on hand	4,783,434.21
Due from banks	12,348,972.90
Exchange for clearing house and cash items	753,092.13
All other resources	1,929,691.10
Total	$104,920,762.40

LIABILITIES.

Capital stock	$20,846,032.00
Surplus	6,101,123.04
Undivided profits	2,493,440.05
Reserved for Taxes	126,843.70
Deposits	68,978,152.57
Due to banks	1,256,822.68
Bills payable and rediscounted	3,389,480.56
All other liabilities	1,728,867.80
Total	$104,920,762.40

BEN L. BRUNER, Secretary of State.

BANK EXAMINATIONS, STATE AND NATIONAL.

WASHINGTON, D. C., *December 15, 1911.*

To the NATIONAL MONETARY COMMISSION,

Washington, D. C.

GENTLEMEN: We have been asked to consider the question of bank examinations, both national and State, in so far as they may relate to the National Reserve Association, and after a careful consideration of the question, we beg to submit our views.

In considering the question in a broad way we have had in mind two points which seem to us very essential.

First. To avoid the added expense to the banks of building up the machinery for an entirely separate and additional system of examination.

Second. To utilize, in so far as possible and practicable, the existing machinery for bank examinations as established to-day for both national and State banks.

It was necessary to carefully consider three important points, as follows:

First. It is possible that the examinations as they exist to-day, both State and national, might not meet the requirements of the directors of the National Reserve Association.

Second. There are a few States where there is no State supervision of any kind of State banks.

Third. There are a few States where there is State supervision of State banks, but the executive officer is not privileged by law to disclose information regarding banks under his supervision.

20351—11

We have considered each of the above points and, in our opinion, the plan we present obviates each difficulty and utilizes, without additional expense to the banks, the present machinery of bank examinations, both State and national.

We therefore make the following recommendations:

That the National Reserve Association shall for all member banks accept copies of the reports of the national-bank examiners for national banks and copies of the reports of State bank examiners for State banks and trust companies, where the furnishing of such information is not contrary to law; provided, however, that the standard of such examinations, both national and State, meet the requirements of the directors of the National Reserve Association.

That in all cases where the standard of examination, either national or State, is not up to the said requirements, the directors of the National Reserve Association shall make or cause to be made independent examinations.

That the Directors of the National Reserve Association have the right to examine or cause to be examined, at any time, any member bank, by its own representatives.

That the national and State examiners be allowed such additional compensation, to be paid by the National Reserve Association, for making extra reports to it, as the directors thereof may consider just and equitable.

The plan which we recommend will in a large measure avoid the additional expense to the banks of building up another organization for their examination; it will give to the directors of the National Reserve Association, to the branches thereof, and to the local associations the information which is needed, and it reserves to the National Reserve Association the right to make independent examinations whenever the directors thereof desire to do so. The plan is simple, practicable, and workable from the start.

In addition to this it will have a tendency to standardize on a higher plane all bank examinations.

Very respectfully submitted.

J. L. MOHUNDRO,
State Bank Examiner for the State of Washington.

ARTHUR B. CHAPIN,
Bank Commissioner for the Commonwealth of Massachusetts.

F. E. BAXTER,
Superintendent of Banks for the State of Ohio.

O. L. GILL,
State Commissioner of Insurance and Banking for the State of Texas.

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Superintendent of Banks for the State of New York.

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GILES L. WILSON,
National Bank Examiner for South Carolina and Georgia and formerly State Bank Examiner for South Carolina.

LAWRENCE O. MURRAY,
Comptroller of the Currency.

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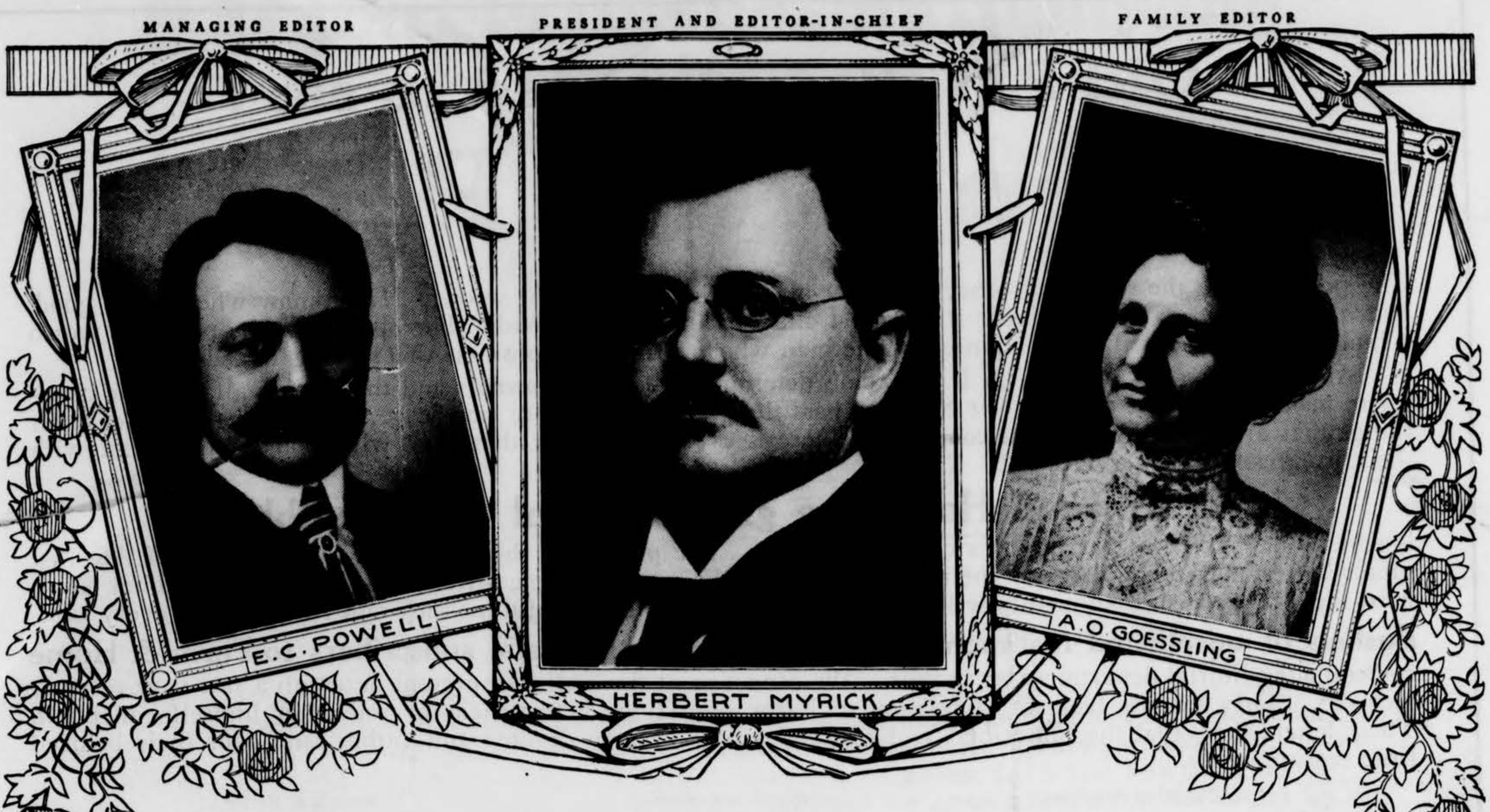

Do you realize that 1912 promises to be the best year in the history of American agriculture?

Ample fall rains have put the ground in ideal condition, while demand promises to be better than ever for soil products. You can make more profit with less work during 1912 and get more pleasure out of life if only you operate efficiently.

EFFICIENCY IN FARMING—

also in the Home, is the vital aid which will be supplied twice a month during 1912 by Farm [illegible] You simply cannot afford to miss the good things coming, for they will mean DOLLARS to YOU.

"Know-how" farming is scientific, saving labor, money, work, worry; increases profits, fun, progress. Every line in Farm and Home will tell the HOW of things, how others have done it, so you can do it. That is what helps us, one and all—practice, not theory; facts, not fancies.

The experience, observations and results obtained by the leading scientific men, successful farmers and housewives will make Farm and Home a cyclopedia of farm practice and management. Only a few of the fine things in store for 1912 readers can be mentioned:

Special Feature Articles

to appear in early numbers will show HOW—they're object lessons in efficiency by men and women who are themselves successfully efficient. Such as "Farming in Foreign Lands," by George Cecil; "What Modern Machinery Means to the Farmer," by Day Allen Willey; "Reclaiming the Desert," by A. R. Kanaga; "A 2000-Acre Garden," by Wm P. Doyle; "Women Who Manage Big Farms Successfully," by H. Croy; "Making the Marsh Land Pay," by George E. Walsh; "Birds as Friends of the Farmer," by Orin Edson Crooker; "The Street Front," by E. P. Powell; "The Possibilities of Rape on the Farm," by M. F. Greely.

A Wealth of Departments

will cover all phases of farming, all sides of life and practice on the farm and in the home, east, west, north, south. The old department, "ALL ABOUT THE FARM," will treat of the many and varied farm crops and operations. Special articles by Prof John M. Scott of Florida, Prof G. I. Christie of Indiana, W. M. Kelly of New York; W. H. Underwood of Illinois, George Schoenknecht of Michigan, E. L. Vincent of New York, E. P. Snyder of Ohio and other successful farmers.

SPECIAL MONEY CROPS mean much to all farmers and will include Tobacco, Asparagus, Onions, Ginseng, Nuts, Mushrooms, Dandelions, Tomatoes, Maple Sweets and others. Closely allied to these will be our departments on Grain and Grass, Corn, Cotton and [illegible] Roads, Power on the Farm, Manures and Fertilizers.

WHERE TO LIVE will describe the advantages for homes of many sections, north, south, east and west, and help the land hungry to find farms and homes.

The department of ORGANIZE AND EDUCATE will continue to treat of many of the newer problems of marketing, social and political matters, rural schools, new ideas and suggestions to make life more livable.

The Live Stock Departments

have always been given a large space in FARM AND HOME and promise to be of greater interest and value. These will include The Dairy, Marketing Milk and Cream, Live Stock Problems, Feeds and Feeding, Swine Keeping, The Sheepfold, Horses and Horsemen.

THE VETERINARY ADVICE by Dr D. McIntosh has been of untold value to our readers with sick animals. Animal Physiology, a new department started last year, will contain articles on the cure and prevention of disease and care of animals, by Drs McIntosh, Leslie M. Hurt and Ward Giltner.

Mechanics and Buildings

HANDY DEVICES, which save time and labor, will be continued.

MODEL FARM BUILDINGS will include: A round barn in Minnesota, An up-to-date Maryland hog house, A model stock and farm barn in Massachusetts, An Oklahoma stone house, A delightful New Mexico bungalow, and An attractive New York home.

THE ORCHARD AND GARDEN are among the most valuable parts of the average farm, while they supply the chief income for many specialists. Leading contributors will be Prof R. L. Watts of Pennsylvania, J. M. Smith of Oklahoma, Roy B. Buchanan of Tennessee, Charles A. Umoselle of New Jersey, H. L. Tompson of Massachusetts, Marie Seacord of Illinois, and M. Roberts Conover of New Jersey.

A Great Poultry Paper

The superb Farm and Home POULTRY ANNUAL February 1 issue, will be only one of the strong features of the poultry department for 1912. A few of the contributors will be J. H. Drevenstedt of New York, Prof Homer W. Jackson of Pennsylvania, T. M. Clemans of Ohio, Joseph Tolman and Charles H. Latham of Massachusetts, Miss Frances P. Wheeler of New York, H. H. Stoddard of Texas, Dr Otto W. Maurer and Prof T. E. Schreiner of Kansas and Mrs B. S. Hislop of Illinois.

Pigeons and Pet Stock as well as The Apiary will also interest many readers.

THAT RARE QUALITY, LEADERSHIP

will continue to be Farm and Home's characteristic. Its editorial page is famous for bold, fearless, able, level-headed, incorruptible championship of the people.

Its editorial policy is CONSTRUCTIVE, not destructive. It builds up the right, tears down only the wrong. It shows how to progress, it leads the way!

TO UTILIZE RURAL CREDIT is Farm and Home's newest campaign. It is the biggest, best, most practical, most needed of all reforms. Land mortgage banks to make farm bonds marketable like government bonds; rural credit unions to furnish cash and credit! The new system Farm and Home is fighting for will make it easy for farmers to get long-time loans and shorter term "accommodation."

HOW TO CO-OPERATE—an inspiring new department, will teach just what to do and how to do it, so as to enable YOU and your neighbors to reform rural finance, improve marketing, buy together and sell together. The time is ripe for the common people to unite for uncommon benefits. Farm and Home blazes the way!

THE BUSINESS SIDE OF FARMING gives a wide sweep of the business horizon, a keen sense of not only local but world-wide conditions and a careful analysis of the situation when most timely. We have at our disposal the widest possible range of domestic and foreign crop news and advices, hence arrive at a close approach to true conditions everywhere. Twice a month Farm and Home assembles, assorts, crystallizes, presents. The markets, the record of crop movement, the prospects and conditions are covered so that you may know all the facts exactly as they are.

TALKS WITH OUR LAWYER gives our subscribers the best legal advice free of extra cost. CHAT WITH THE EDITOR—pertinent suggestions, answers about personal, family and farm affairs.

The Family Features

Literary Departments, etc., etc., are described on another page in Farm and Home December 15.

Old P. T. Barnum used to say:

"Listen to the People"

The people voice the sentiment—they know whether a thing is right or wrong. They know whether it's good, bad or indifferent. They praise it if it's good and condemn it if it's bad. The opinion of the people is worth a hundred times more than the opinion of the man who owns the proposition that's being talked about.

An awakening is here. With it has come determination by the farmers and their wives all over the country to make up for lost time. So it comes to pass that farm women are now eagerly searching for the better things that are theirs by right of conquest. There is every indication that they will soon stand abreast with their progressive farmer husbands

Farm and Home, the great national semi-monthly

is edited and published for just this class of farmers. The people on the farms and in the homes of America subscribe for, pay for and renew their subscriptions to Farm and Home strictly upon its merits. They know what they want and they know they will get it in Farm and Home—brimful measure and running over every issue.

Bushels of unsolicited testimonial letters sent by enthusiastic subscribers to Farm & Home come to our editorial department every year. We cannot print them all, but present herewith a few very recently received. They express feelings in relation to Farm and Home better than the publisher himself can do it. These letters show that the subscribers to Farm and Home become devoted and enthusiastic over their beloved little semi-monthly.

Its Editorials Are Great

I have always been interested in your Farm and Home editorials. They put new life into us. I am pleased especially with your great editorial December 1. It is magnificent. Our farmers are ready to follow your leadership and to work together for larger prosperity. Continue to give us all the information you can, especially about co-operative land mortgage banking and rural credit unions. With such banking facilities, farming will go forward wonderfully.—[B. G. Morrison, Cornplanter, Warren County, Pennsylvania, December 4, 1911.

The Heart of the Grain

It is my honest opinion that Farm and Home, compared to other farm papers, is as the heart of the [illegible] the hull, and for this reason we of our family feel that we cannot afford to be without it.—[Alexander Krueger, Colville, Washington.

Pleasure and Profit

Farm and Home is so original, so interesting, that it stands out prominently among all the other farm journals. To read Farm and Home is to combine pleasure with profit, and that is why I subscribe for it.—[F. A. Grinnell, Mount Riga, New York.

Much for Little

I subscribe for Farm and Home because it gives me the very information I want pertaining to the farm and the home. Besides this, it always has a good story and other reading for Sunday, and does not use up space with long and dull articles. To cap the climax, it gives us all this wealth of good reading matter at an exceedingly low price.—[Clifford E. Davis, Box 63, Route No 2, Cumberland, Maryland.

Clean and Breezy

Farm and Home is an educational journal, for it supplies information that is invaluable to the veteran farmer as well as the beginner. The fiction is clean and breezy and to the point, and very restful to the tired mind.—[Clay Davidson, Route No 4, Cameron, Missouri.

Helpful and Inspiring

Agriculture is too important to be trifled with. We need more and better farmers, and for this reason alone Farm and Home should be in every home. It is a clean, helpful and inspiring paper, with a word of cheer for every member of the family.—[Mrs W. H. Ladd, Route No 4, Sante Fe, Tennessee.

How to Get Results

Farm and Home teaches me how to get the best results from my farm for the least money; it shows me how to manage the live stock, garden and orchard to make money; it helps me in the rearing of my children and in the beautifying of my home—in short, it shows me how to make the best of my opportunities. [illegible] could afford to be without its helpful advice and inspiration.—[J. W. Robinson, Dover, Georgia.

The Most Important Business

Farm and Home has shown us that farming is the most important business in America. The stories of Farm and Home are good, its politics are sound, and, while it preaches better manhood and womanhood, it does not overlook the children. Its veterinary and legal advice alone are worth many times the subscription price.—[William Bacchus, Danbury, Connecticut.

A Square Deal

As an old subscriber I can testify to the fact that Farm and Home stands for progress and a "square deal" for all. Every article in its pages is of value to some member of the family. Its fiction is good, its poetry inspiring, and its advertisements always reliable.—[Mrs R. H. Hoss, Ione, Oregon.

The Best Merchandise

What I appreciate particularly about Farm and Home is that the best class of merchandise and supplies can be found advertised in its pages, and it stands for a square deal for every reader.—[F. L. Burt, Hazardville, Connecticut.

More and Better

We seem to get more and better information from Farm and Home than from any other farm paper, and it costs us less. I particularly appreciate the stand its editor took in regard to Sec Wilson and Dr Wiley. The advertisements are not the least interesting part of the paper. I have been a subscriber to Farm and Home for some time and would not care to be without it.—[C. P. McCall, 3 Delta Place, Atlanta, Georgia.

It Is Different

We like Farm and Home because it is different from all other farm papers. It is progressive, dealing with the problems of the day and looking forward hopefully to the future. It caters to the real needs of its subscribers, [illegible] no matter where one may be located, one may learn from its pages something useful that fits his own individual case.—[Henry B. Mitchell, Athens, Georgia.

For the Busy Man

Farm and Home is the paper for me, because it prints useful information at the time of the year such information is needed, and it is so condensed that a busy man has time to read it. Not the least of its attractions is that it carries a line of practical advertising.—[J. Graham, Pine City, Minn.

Sparks from the Anvil

As for me, I can truly say Farm and Home fills the bill. Anyone who buys or sells will find its advertising columns indispensable.—[John A. Vincent, Route No 5, Ionia, Michigan.

What makes Farm and Home particularly interesting to me is that it is always up to date and gives one a comprehensive idea of progress in farm and home matters.—[Mrs G. W. Chase, Route No 24, Oconomowoc, Wisconsin.

We take Farm and Home because it is what its name implies—a paper for the farm and for the home—reliable, clean, and always interesting. [Edgar H. Parkhurst, South Canterbury, Connecticut.

THE CHRISTMAS, DECEMBER 15, NUMBER

of Farm and Home is a wonder. The features for all the family are even better than usual, including stories and poetry, holiday entertainment, needlework, homemade candies and boxes, Yuletide sermonets, the Junior Climber's Club, homemade garments and indoor toys, seasonable recipes for cookery.

The Agricultural Departments of December 15 number teem with seasonable hints in the following departments:

All About the Farm	Horses and Horsemen	Field and Farm	Organize and Educate
The Dairy	The Handy Trapper	Business Side of Farming	With the Farmers
Sheep and Swine	The Poultry Yard	Where to Live	Editor's Chat
Home Butchering	Woodlot and Forest	Handy Devices	Veterinarian
Stock Feeding	The Orchard	Farm Buildings	Talks with Our Lawyer

Farm and Home interests *all the family* on the farms and in the rural homes of America *all the time.* That is why its subscribers are so enthusiastic over the merits of Farm and Home that they are renewing for it even better than previously. And that is why it pays advertisers.

THE PHELPS PUBLISHING COMPANY, Myrick Building, Springfield, Mass.

315 Fourth Avenue, New York City   1209 Peoples Gas Building, Chicago, Ill.   601 Oneida Building, Minneapolis, Minn.   Aberdeen, South Dakota

NEW YORK
ASHLAND BUILDING

CHICAGO
PEOPLE'S GAS BUILDING

MAIN OFFICE
SPRINGFIELD MASS
MYRICK BUILDING

MINNEAPOLIS
333 PALACE BUILDING

ABERDEEN
SOUTH DAKOTA

The Phelps Publishing Company

PUBLISHERS
FARM & HOME
A NATIONAL SEMI-MONTHLY
EASTERN & WESTERN EDITIONS

PUBLISHERS
FARM & HOME
A NATIONAL SEMI-MONTHLY
EASTERN & WESTERN EDITIONS

AN OPEN LETTER

TO BUSINESS MEN AND ADVERTISERS UPON THE 33d YEAR OF FARM AND HOME

Christmas, 1911
New Year's, 1912

Gentlemen:

In all the thirty-two years of Farm and Home which conclude with our December 15 number, I have never known the underlying and fundamental natural conditions to be so healthy as they are today. American agriculture is going into the New Year with more promise than ever. Therefore, business should be less adversely affected by politics during 1912 than for several presidential campaigns.

Farmers are preparing for the new season with renewed confidence. Taking the country as a whole, farmers will receive more money for their crops of the past year than for the labors of any previous season. Higher prices compensate for reduced total yields where they have occurred. This situation partly explains the unprecedented enthusiasm now existing among farmers over the future of their business. The farmer is waking up to the fact that to supply the consuming demand, the United States must have:

Better agriculture, better farm and home buildings and equipment, better homes, better schools, better everything.

To enable farmers to bring about such bettered conditions is the high purpose of Farm and Home for 1912. To this end it employs every resource of experience, science and success in all that pertains to practical farming, home life and rural progress.

But the largest efficiency of the forward movement in agriculture requires still more. The well-nigh universal need of farmers is MORE CAPITAL. They have sufficient assets, but the means are woefully lacking for employing these assets as a basis of credit when needed. Farm and Home seeks to supply this want by adapting to America the system of co-operative land-mortgage banking and rural credit unions, which is so astonishingly successful in Germany. (See my article on Page 3 hereof from Farm and Home for December 15, also editorial in December 1 issue.) Such rural finance obviously will enormously expand the farmer's buying power for the many things required by better farming and better ''home-ing.''

I am doubly inspired in this great effort by the enthusiastic co-operation, interest and support expressed by Farm and Home's subscribers and advertisers. Our readers are singularly ''close'' to Farm and Home, perhaps more so than is the case with any other periodical. This accounts in part for the excellent results obtained by so many of our advertisers. Since farmers subscribe for Farm and Home on its merits, since it has earned and won its subscribers by thirty-two years of honest endeavor, since it admits only reliable advertisements, its increasing patronage by subscribers and advertisers is a logical result.

Permit me to express, in this personal way, not only my own appreciation for your patronage, past, present and future, but equally so for the co-operation of your powerful influence in the great campaign for better rural life and improved rural credit facilities to which Farm and Home will devote itself during 1912—its thirty-third year.

Wishing you and yours all health and wealth, happiness and prosperity for the coming season, believe me

Sincerely yours for better agriculture,

Herbert Myrick

Editor-in-Chief FARM AND HOME
President THE PHELPS PUBLISHING COMPANY

Personal Peace

BY HERBERT MYRICK

*Derwentwater, 4 July, 1911

Amid the trials of life—
  Failures and discouragements,
The honors of victory
  As well as weight of defeat—
There is ever at hand:
  Repose for mind and soul;
  For body also, peace!

Harmony's omnipresence—
  Visible in storm and calm,
  Potent in forms and actions,
  Pervading both life and death—
Is an object lesson:
  Nature is rich in Peace
  That may be shared by Man!

Now, strengthened by this knowledge—
  Fed by the Ever Present,
  Inspired by glorious faith,
  Quickened by work and play—
Enjoy peace with those who
  Master adversity,
  Conquer prosperity!

*The charm of the English lake country! Who can ever forget it? The lessons of nature, the associations of Wordsworth, Southey and other choice souls. What a contrast it all was to the cacophony of our own land! And in the stress of our strenuous American life, is it not well to grasp an occasional moment of repose—to live in poise?

[H. M.

ADVANCE SHEET
FROM DEC. 15 NUMBER

FARM AND HOME

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A Revolution in Rural Credit

By Means of Co-operative Land-Mortgage Banks

Just How to Organize Local Land Banks---How to Federate Them Into Central Banks---How to Make Farm Mortgages the Basis for the Safest and Most Marketable of Bonds---How to Supply that Greatest of All Rural Needs, Available Credit, Permanent or Temporary

How to Get Money on Long Time at Reasonable Rates of Interest---How to Pay Off the Principal "Without Feeling It"---How to Adapt to the United States the Method of Accomplishing All This, Which Has Been so Successful in Germany for 150 Years

By HERBERT MYRICK, Editor-in-Chief Farm & Home, President The Phelps Publishing Company

Land is the basis of all PERMANENT WEALTH, but it has remained for Germany to perfect a plan whereby land becomes the basis for MOVABLE CREDIT.

This German method is the outcome of 150 years' experience. Its success has been so assured, the law of 1899 has made it so perfect, that this method should now be introduced throughout the United States.

Only in this way can be solved the all-vital problem of supplying credit and cash to farmers in efficient form and sufficient quantity, with such ample safety as to make farm bonds so attractive as always to be marketable. The German method could be adapted to American needs as follows:

Local Co-operative Land Banks

Each state should provide by law for the incorporation of small local co-operative land banks, the same to be subject to oversight by the state banking commissioners. Each little bank should have its capital stock paid in by its local shareholders. This capital is the surplus to guarantee the bank's obligations. Americans prefer to thus put up some money, instead of each member personally becoming jointly and severally liable for all the obligations of the bank, as is the custom in many European co-operative societies.

All of these little local land banks in a state are to invest part of their capital in the shares of one central land-mortgage bank, into which they are all federated. This central bank has a trustee in each local bank. The central bank for the whole state should be under the closest supervision and regulation by the state.

The whole affair is strictly co-operative. Each member has one vote, regardless of number of shares held. Each local bank has one vote in the meetings of the central bank.

Function of the Local Land Bank

Let us suppose that such a system is in use in Iowa, and that 100 citizens at Boone have formed the Boone co-operative land bank, each putting in $100 in cash. It thus has $10,000 paid-up cash capital, of which $2500 is invested in shares of the Iowa central land-mortgage bank.

Now the Boone bank receives an application from Farmer A, who wishes to borrow $5000 on his note, secured by a first mortgage on his farm, which he thinks is worth $10,000. The bank's committee looks up the property, to see how much can be safely loaned on it. The state law is that not over 60% of the true value may be loaned and provides strictly against either over or undervaluation. The bank also wants to be careful not to jeopardize its capital or reputation by making a bad loan.

So the committee is conservative, gets all the evidence possible, including the character of the borrower, whether he is likely to succeed, whether reliable, etc. Finally the committee recommends a loan of $4000. The full board of directors of the Boone bank, after reviewing the case, approve the application. Farmer A therefore signs a note for $4000 in favor of the Boone bank, and executes a mortgage upon his farm as security. The mortgage is payable to the trustee in the local bank who represents the central bank.

The Central Bank Issues Bonds

Now for the next step, for Farmer A has not yet received his money. The Boone bank hasn't capital enough to make the loan itself. But [illegible] used to insure that the loan is a good one for all concerned.

The Boone bank applies to the Iowa central land-mortgage bank for $4000, offering as security the mortgage on Mr A's farm. The principal and interest of said mortgage are guaranteed by the Boone bank, it keeps Farmer A's note in its own safe, and has the right to get back the mortgage it deposits with the central bank's trustee upon payment thereof.

The local trustee at Boone certifies to the Iowa central land-mortgage bank that the loan, mortgage and guarantee are all right. The committee of the central bank verifies the papers, approves the loan, and authorizes the issue of $4000 in bonds. These bonds bear coupons for the interest which, together with the principal, is guaranteed by the Iowa central land-mortgage bank.

These bonds may also be registered in the office of the state treasurer as yet further proof that they are all right.

Marketing the Bonds

These land-mortgage bonds, thus triply secured—by first mortgage on a conservative basis, by guarantee of local bank and by guarantee of the central bank, should then be listed upon the stock exchanges throughout the United States and foreign countries. The bonds then can be readily sold, because they will be made one of the most attractive of all investments, by virtue of the conditions below described.

The central bank issuing the bonds sells them and remits the $4000 to the local bank, and it turns the money over to Farmer A. Thus the borrower in the local community, who at present is unable to get in touch with the great money markets, is enabled to mobilize his land as a basis of permanent credit.

Characteristics of the Bonds

These bonds should be exempt from all taxation, national, state, local. The land pays the taxes, and borrower should not have to pay so high a rate of interest on his mortgage as to oblige the holder of the mortgage also to pay a tax on that investment. Such double taxation is entirely avoided by the proposed exemption. Of course, these land-mortgage bonds would be subject to inheritance taxes, which do not tax the land twice, since only the equity in land pays an inheritance tax.

Federal and state laws should recognize these bonds as the safest things to be invested in by trustees, societies, savings banks, insurance companies and other institutions. The laws should provide that a minimum proportion of the surplus of national and state banks of discount might also be invested in these land-mortgage banks.

In this utterly simple way these land-mortgage bonds become the most attractive of all investments. The market for them becomes incredibly enlarged. The demand for them will always be keen, even at a low rate of interest.

In fact, under normal conditions in the money market, these bonds can be sold at par, even if they pay only 3, 3½ or 4% interest. They will vie with both state and national bonds in stability, value and salability.

What the Borrower Pays

The rate of interest which the farmer pays on his mortgage note would be about 4% where it is now 5 to 6%, or in that proportion. He would also pay at least 1% each year toward the reduction of the principal. By means of the compounding of interest and the steady reduction of principal, the result would be that in the course of 30 or 40 years, the principal of the mortgage would thus be automatically wiped out. Of course the farmer would have the privilege of paying up on the principal more rapidly if he so desired.

Thus a total of 5% per annum, including not to exceed 4% interest, and the balance on principal, would entirely wipe out the debt on a man's [illegible]

Thus the security of the bonds would be improving constantly, because of the payments upon the principal. And these payments would enable the system to go on and make additional loans upon other farms as needed. It is an endless chain of help, thrift, convenience, investment and co-operation.

Not an Experiment

Please bear in mind that this plan is not an experiment. It has proven successful during a century and a half's use in Germany.

It is not paternalism. It is not socialism. It is based primarily on the co-operation of individuals. The local society or co-operative bank is composed of individuals, and it is to the interest of each member of the local society or co-operative bank to see that the original mortgage is absolutely right in every respect. By the means described, this mortgage becomes the basis of a universally salable bond, which can be converted into cash at almost any time or place, or used as collateral. In both respects, it is like a government bond.

This plan is not a trust. It is not a combine.

It is co-operation made simple, practical, effective.

It is common-sense association of land and people, cash and credit.

It has stood the test of time—150 years' successful experience with this method has perfected it for application to the needs of American farmers.

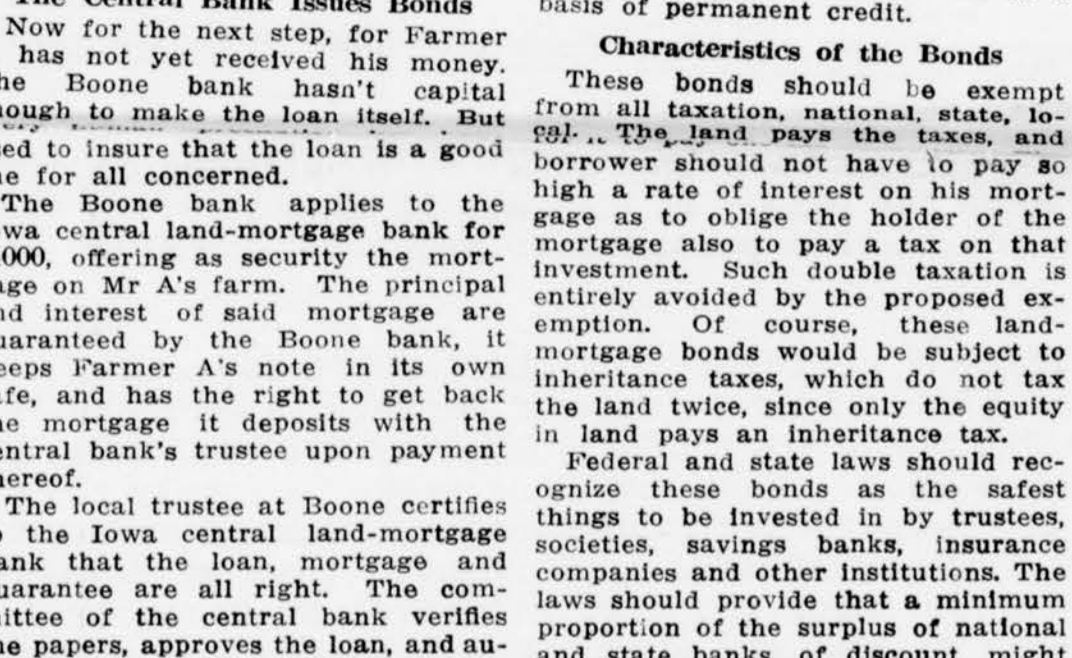
It is safe, not speculative, yet the method will profit every dollar invested.

To Nationalize This Plan

The foregoing plan may be carried out in any state under proper state laws.

But there is nothing to prevent congress providing for similar institutions under federal laws. There can be such a system of national land-mortgage banking, which need not interfere with a like system under state authority.

The two can work along side by side, just as commercial banks now operate under either national or state charters. The national system would have the advantage of starting the method more uniformly throughout the United States.



THE CRISIS AND THE REMEDY.

AN OUTLINE OF A PLAN FOR CREATING AN ELASTIC CURRENCY.

BY A. E. STILWELL,
President of the Kansas City, Mexico & Orient Railway Company.

A number of years ago I foresaw that sooner or later the country would inevitably suffer from the financial condition which now exists. The following plan occurred to me as being a feasible way of relieving the situation, and, after taking the matter up with President McKinley, who looked upon it with favor, I sent an outline to a number of prominent bankers, senators and congressmen. They all agreed with me that the plan could be carried out with success, but as there was at that time no disturbance in business, they did not think it necessary to change existing banking methods, and the matter was dropped. I have thought over the plan continuously since that time, and I believe that if the idea embraced herein were put into operation, the banking interests of this country could be placed on a sound basis, so that we would have the best banking system in existence. This would result in restored confidence, and the present stringency would immediately be relieved.

THE PLAN.

Have congress pass a bill incorporating the United States Bank of Discount, to be a bank of issue, with a capital of three hundred million dollars; have the national banks subscribe for the stock exclusively, and provide that the stock can be used with the United States government in order to secure circulation, in the same manner that government bonds are now used, every national bank to be required to invest one-fourth of its capital in the stock of this bank; provide that the stock shall draw interest at the rate of three per cent, and that if the interest is not earned (a remote contingency) the government will make up the deficit.

The United States Bank of Discount will select one representative from the board of directors of the various national banks. This representative will be a resident of the city in which the bank is located, and it will be his duty to report to the National Bank of Discount any irregularities which he sees in the management of the bank.

The National Bank of Discount will have the right to examine all national banks, just as the government does now, as this bank insures all of the deposits, and, for this reason, must know the risk that it takes. This examination simply adds to the safe-guarding of the banking system.

The United States Bank of Discount will issue its currency in the following way only:

Every national bank will have credit with the National Bank of Discount for an amount equal to its capital and surplus. This will encourage banks to pay in a large surplus, making an additional safe-guard to the entire banking system. This credit may be used as follows:

When the crops are to be moved, additional money is required. Suppose, for instance, a bank at Topeka, Kansas, has a capital of a quarter of a million dollars, and this bank wishes to avail itself of the credit which it has with the United States Bank of Discount, the amount being equal to its capital and surplus, $450,000.

The Topeka bank takes to the Kansas City Clearing House, which is the representative of the Bank of Discount in the section, a quarter of a million dollars of its best paper or bonds; the clearing house passes upon the collateral, gives a certificate to the Topeka bank, stating that it is entitled to $450,000 worth of bank notes, to be issued by the United States Bank of Discount. The Topeka bank sends this certificate on to the United States Bank of Discount, and receives four hundred and fifty thousand dollars of circulation, paying five per cent on the currency thus issued. One-half of this issue must be retired in six months and the balance in one year, or the bank must be liquidated if it is unable to retire the issue in that time. When the bank wishes to pay off the $450,000, it sends this amount of national bank notes (not gold or silver certificates) to the United States Bank of Discount, and its collateral is returned by the Kansas City Clearing House, on order of the United States Bank of Discount.

This plan immediately creates an elasticity to the currency of the country equal to the capital and surplus of all the national banks in the United States. It will be to the interest of the national banks to build up their surplus, in order that they may have a discount reserve at this bank.

Instead of keeping so much money in New York, they will buy high grade bonds, such as the Massachusetts Savings Banks buy, and will keep these for the interest which they earn, knowing that they can be used at any time to secure currency.

One of the most important features of the United States Bank of Discount will be the insurance of all deposits in national banks. In the pass books issued to depositors in national banks, the following might be inserted: "In case this bank should suspend or fail, the United States Bank of Discount will pay all depositors in full, within ten days."

In case of suspension or failure, the United States Bank of Discount will have the following ways of reimbursing itself:

1. The assets of the suspended bank.
2. The double liability of the stockholders.
3. The insurance fund created by collecting from each national bank one-fourth of one per cent of its average balances for the year. At the end of every three years the United States Bank of Discount will declare dividends equal to one-half of this insurance fund, which will be distributed to the national banks in proportion to the amount which each has contributed.

The national banks of each state will elect one director of the bank. These directors, in turn, will elect an executive committee, which will have the entire management of the bank.

THE RESULTS WHICH THIS BANK WILL ACCOMPLISH.

(1) An elasticity to the currency, which will enable the banks to take care of the needs of the country during the time of moving crops.

(2) A stability to the national banks, as they could at all times call upon the United States Bank of Discount for currency to the extent of their capital and surplus.

(3) The insurance of all deposits would result in keeping a large amount of money in the banks which is now kept in safe deposit vaults. This would add largely to the currency in circulation, and at the same time would prevent runs in time of trouble. This insurance of deposits in national banks is as important as fire or life insurance, as safe and proper banking facilities are a necessary element in the business world.

(4) This bank could never become a monopoly, as it does business only with national banks, and not with the public. Its business will be limited to the issuing of its notes to the national banks for discount. The only business which it will carry on will be the making of loans to the government and the insuring of the accounts of national banks.

(5) This bank will be located at Washington, and will not be under the control of any one political party, but will be controlled by all the national banks of the United States.

(6) It will receive no deposits except those of the government.

(7) The whole country cannot then be made to suffer by the fighting among the men who have been caught in Wall Street. Each bank will know

what it can depend upon in time of need. It will not be affected by stock gambling, and will not be dominated by men who have been carrying on their business on a stock-gambling basis.

If this bank should be incorporated, I am convinced that it would solve the problem now confronting the country in regard to the banking system. If at the same time a bill could be passed in congress, making the short selling of stocks, wheat, corn or cotton, punishable by fine and imprisonment, one of the greatest menaces to the business interests of our land would be removed. The people who own the land and grow the crops ought to control the prices, and not the people who speculate for their own profit.

We have recently read in the papers that a New York man has made a profit of $5,000,000 by the short selling of stocks. The owners of the stocks did not make these low prices, but men who did not own them forced the owners to sell. When timid people see the stocks which they own rapidly falling in price they are seized with fear, and immediately dump their stocks on the market, thus giving an opportunity to other persons to sell short at a great profit. If it is a crime for one man to sell property which he does not own, but some day hopes to own, why is it not a crime to sell the cotton or corn which a man does not own, and thus force prices down, compelling the man who owns the cotton or corn to sell at less than the real value of the commodity? Think of the great harm which can be done in times like these, by rich speculators, who have never done anything to build up the business of the country! The men who, knowing that some concern is struggling to continue its existence, take advantage of this extremity and begin to sell the stock short, are of the greatest harm to the business interests of the land. The stockholders, knowing that the company is having a struggle, begin to fear for the safety of their investment; they see the quotations of the stock going lower day by day, not knowing that the quotations are created by people owning none of the stock, so they immediately begin to dump the stock on the market, thus creating the opportunity which the stock speculator has been looking for. The officers of the struggling corporation have outstanding loans, with the company's stock as collateral, and in order to save their own credit they are compelled to refuse assistance which otherwise, they could give to the company. As a result, the company fails because of the short selling of some unscrupulous speculator, who is only waiting, like a vulture, to devour the unfortunate. The protection of business which would result if such a method were punishable, as it should be, would be of inestimable value to the entire country.

Senator   ~~2~~/11

CLEARING HOUSE ASSOCIATIONS

Quincy, Illinois, January 10, 1911.

TO THE NATIONAL BOARD OF TRADE:

GENTLEMEN: The undersigned joint Special Committee representing the QUINCY CHAMBER OF COMMERCE and the CLEARING HOUSE ASSOCIATION, Quincy, Illinois, appointed to consider and prepare a paper containing suggestions on the National Monetary question, begs leave to report as follows:

The Honorable A. Piatt Andrew, Assistant Secretary of the Treasury and Special Assistant of the National Monetary Commission, Washington, D. C. read a paper in November, 1910, before the American Academy of Political and Social Science. We state substantially a few points made in his paper.

"About three years ago most of us found ourselves in a country where business was conducted by curious methods. It was a large and prosperous country whose people had long prided themselves upon their achievements in business and upon the superiority of their commercial and financial equipment; yet, singularly enough, in all of the leading cities of the country coin and legally authorized currency circulated at a premium; while the usual means of payment were inconvertible notes issued without sanction of law, by Banks, Railroads, Mining Companies, firms and many other organizations. Obligations were met by such issues and not in cash—nothing like them seen in this or other countries. Twenty-five thousand Banks suddenly curtailed the facilities which they usually extended to the public. These Banks for the most part unrelated and independent of each other, and simultaneously engaged in a life and death struggle.

"Harvests were plentiful, yet dealers in produce were refused credit when it was indispensable.

"Railroads were burdened with idle cars, thousands of men were thrown out of employment, thousands of firms went into bankruptcy; trade came to a standstill; the credit system ceased to operate. This too in the United States—not in South America or Islands of the Seas.

"In the panics of 1873 and 1893 banks suspended specie payments as well as in 1907, and inconvertible, illegal paper money took the place of coin and legal tender.

"In Europe no such general collapse of credit and general suspensoin has ever taken place, except in times of revolution and war."

Bankers and Banking Associations have endeavored to change such menacing conditions; Congress, however, has paid but very little attention to their suggestions. Political measures and Tariff schedules have taken precedence, and currency reform movements have been set aside. As a result panics have come on, enormous losses have been sustained and foreign and domestic commerce have become disorganized and their development retarded. It is reported that Senator Aldrich put the losses in the panic of 1907 at two billion dollars.

At last Congress has appointed a National Monetary Commission and a partial statement of their investigations has been printed in many books, which men in active business will have but little time to read. Much of foreign banking methods cannot be made applicable to our own country. It is well that the Commission is authorized to take several years in making its investigations and final recommendations.

It is our opinion that the present Congress should not attempt to pass a measure which, like the so-called Aldrich-Vreeland Bill, will be inadequate to meet conditions which will recur under our present mixed, rigid and unscientific currency system.

Commercial bodies in the leading cities have been asked to submit to the meeting of the National Board of Trade to be held in Washington January 18th, suggestions as to the legislation needed to avert panics, and such conditions and losses as have been hereinbefore mentioned.

The Aldrich-Vreeland Bill has, at the suggestion and urgent solicitation of the Honorable Franklin Mac Veagh, Secretary of the Treasury, brought into existence a small number of National Currency Associations comprising a comparatively small number of National Banks. Such National Currency Associations do not even represent all the assets of National Banks, to say nothing of the very large assets represented by State Banks, Trust Companies and private Banks comprised in our present Clearing House Associations, and the assets of many large banking institutions scattered over our great country, not now members of Clearing House Associations.

Many Bankers cannot realize the amount of currency which is absorbed in the west and south during the crop moving period. We should avail ourselves of our full banking power to meet such situations, especially as State Banks and Trust Companies, as well as private banking institutions are increasing more rapidly in number, capital and deposits than National Banks. To illustrate, we make the following comparative statement of the number of deposits of State and National Banks of North Dakota, South Dakota, Minnesota and Iowa, for the past twelve years:

Year	No. of State Banks	Deposits	No. of National Banks	Deposits	Total No. of Banks	Deposits
1898	780	$ 90,823,000	288	$ 79,477,000	1068	$170,300,000
1909	2473	389,856,000	824	390,222,000	3297	780,078,000
Gain	1693	$299,033,000	536	$310,745,000	2229	$609,778,000

On December 31, 1880, the deposits of National Banks of the city of Chicago were .... $ 44,634,000

On December 31, 1908 they were 378,197,678

On December 31, 1891, (when the new State Banking Law was adopted) the deposits of the State Banks of the City of Chicago were .... $ 44,442,399

On December 31, 1908 they were 362,165,080

This we think will prove that the business of such sections of the country will require assistance and immediate relief through issues of Clearing House Associations and that they should not be compelled to rely solely upon the bond secured issues of National Banks, which cannot respond to the business demands of the country; restricted, also, in using their reserves in times of stress; and whose currency issues are not retired when not needed—thus encouraging speculations, with the low rates of interest prevailing in congested centers.*

Considering our vast and sparsely settled country; the great variety of climate, soil and seasons of production; traditional prejudice against Government Banks, and therefore against a great Central Bank, is there not something else to be considered? We think there is.

Congress should provide for the incorporation of Clearing House Associations under federal law, clothing them with larger authority than they can posses as private bodies; and give them the power of issuing Clearing House Notes, as well as Clearing House Certificates. *Then the Clearing Houses would do legally, for the*

*NOTE—At present business is comparatively slack. Notwithstanding this fact, there is a redundancy in National Bank circulation as compared with a year ago, to-wit:
November 16, 1909, total National Bank circulation, $668,300,000.
November 10, 1910, total National Bank circulation, $680,400,000.
Illustrating that under our present system National Bank circulation is not retired and redeemed when not needed.

benefit of the community at large, what they now do in the issue of Clearing House Certificates extra legally and for their own benefit. (Chicago issued both Clearing House Notes, and Clearing House Certificates, in the panic of 1907, to the great advantage of all interests in this section of the country).

This object might be attained by amending the Aldrich-Vreeland Bill and giving to the Currency Associations therein provided for the additional powers necessary to enable them to act as Clearing Houses. Membership in such Associations should be enlarged to include State Banks which should be required to carry reserves on demand deposits equal to those required in the National Banking Act of the various classes of National Banks.

This would prevent, what we have at present, namely the centralization and congestion of money in commercial centers, and speculation as an inevitable consequence. As things now are we contract credits instead of expanding them in times of great financial revulsion. This is precisely what we could avoid by issue of Clearing House Notes as well as Clearing House Certificates. Thus interest rates would be more uniform in all sections, and ample preparation could be made for the issue of currency based upon the assets and joint guaranty of Clearing House Members. Situations in the movement of crops or other unusual or extra-ordinary emergencies could be anticipated. Such Clearing House issues, based only upon business transactions, could be made to operate immediately and automatically, that is to say; furnished when needed, and retired and redeemed when not required.

How slow, expensive and ineffectual a method of obtaining circulation would it be, for individual banks in every section of the country to send securities to a central eastern point to be used as a basis for currency issues.

Instead of such a bungling method, Clearing House Committees—in all sections of the country—could daily, and hourly, if necessary, pass upon the value of the assets of Bank Members (chiefly commercial paper, bonds, mortgages) as a basis for credit and note circulation. There is too much pyramiding of deposits in financial centers. Banks should have more gold and currency available in their vaults. If we are to have but one issue, secured by gold and a deposit of Bank assets as security, to be periodically redeemed as were the note issues of the New England Banks through the Suffolk Bank, Boston, and without loss; then it would seem with our vast extent of territory that Federal Clearing House Associations, combining practically all the banking power of the several States and Territories and banking experience of practical men; entirely disassociated from political parties, could more readily and safely put out circulating notes, to both National and State Banks, under limitations, as to the amount to be issued, and provision made for their redemption —than a so-called Central Bank not centrally located.

Central and Government Banks in England and on the Continent have world wide business connections and fix the rates of interest; we have not even developed banking relations on the Western Continent, nor in the Orient.

Clearing House Associations originally organized to facilitate daily settlements between Banks in times of financial disturbances, might gradually be developed to enter these fields also. If the system of the sub-treasury were changed they could secure the deposit of government revenues in the banks. Ultimately the demand issues of the government might be retired through their agency. Clearing House Associations even now are gradually developing many other most important banking functions to-wit:

A—The installation of a system for the collection of country items. The first step in this direction was taken by Boston, and the example was soon followed by other Clearing House Associations with satisfactory results.

B—The introduction of a Clearing House Examiner, with power to examine, and without notice, the condition of its members. This movement was first taken up by Chicago and later followed in other centers.

C—The systematic investigation of commercial credits is another developing feature in the banking world. The co-operation of individual Banks with the Examiners of local Clearing House Associations, as well as the interchange of credit information between the Clearing House Associations of the different cities, will come in time, and greatly minimize, if not almost completely prevent losses, many times occasioned by the lack of information regarding the condition of borrowers.

The New York Clearing House Association issued Certificates in as many as eight panics as follows:

In 1860	$ 7,357,000
1861	22,585,000
1863	11,471,000
1864	17,725,000
1873	22,400,000
1884	25,000,000
1890	16,000,000
1893	41,500,000

Although an attempt was made in 1907 to handle the situation without the assistance of Clearing House Certificates, the New York Clearing House finally issued a large amount of them. In almost every instance the Clearing House Certificates were retired within four months after their issue.

Respectfully submitted,

E. J. PARKER, Chairman.

F. W. OSBORN, President
C. F. PERRY, Secretary
THOMAS A. BROWN
JOHN J. FISCHFR
T. C. POLING
JOSEPH W. WALL
} Chamber of Commerce, Quincy.

E.J. PARKER, President
H. G. RIGGS, Secretary
} Clearing House Association Quincy.

Senator

3

NOTICE: Our monthly financial letter will be sent regularly, without charge, to those applying for it.

ADVANCE PROOF
Editors may make such extracts as they see fit.

The National City Bank of Chicago

Chicago, May 1, 1911.

THE ALDRICH PLAN

IN OUR opinion, the most important subject now before the American people is not the forthcoming Supreme Court Trust decisions, nor the treaty for Reciprocity with Canada, nor even the possible revision of the Tariff by the Democrats. Important though these questions are, this country can continue to be great and prosperous no matter how they are settled. But we cannot long enjoy established prosperity if our securities are to be depressed and our credit impaired by the periodical suspension of our banks. Therefore, the most important subject of the day is Reform of our Banking and Currency System, and the practical form in which it is before us is the plan suggested by Senator Aldrich.

OUR experience in 1907 proved that under present conditions we may have general panic and suspension while our banks are sound and well managed, while our cash reserves are on a higher percentage than those of any other country, and while our stock of gold is as large as that of several of the other leading nations combined. Our panics are always confined by our national borders. Neither our American neighbors, nor our European competitors have similar experiences. What, then, do their financial systems possess which our system lacks? Briefly, four attributes:

I. ELASTICITY OF CURRENCY. Our banking currency being secured by government bonds, is rigid. It neither expands nor contracts with the changing needs of the different seasons or sections. In our currency a gold dollar never counts for more than a dollar. In Germany, for example, a gold dollar is sufficient basis for the issue of three dollars of currency, the gold in the Reichsbank being merely a reserve of 33 1/3 per cent against its currency liability, just as our national banks must keep certain reserves against deposit liabilities. In other words, note issues are one-third gold-secured, and two-thirds asset-secured currency in Germany. Other countries have similar but varying means of ready note-issue, thus providing the elasticity to meet a crisis which our currency absolutely lacks. Bankers who in 1907 had to invest in 2% Government Bonds at an absurd price before they could get additional currency—in some cases as high as 109—and all who remember the certificates of small denominations then issued by the Clearing Houses as a substitute for money, can fully appreciate this lack of elasticity in our currency.

II. MOBILITY OF BANK RESERVES. When financial trouble threatens in this country our reserves scatter. In other countries they are massed and can be used where most needed. Our banks have no system by which they can stand together and benefit from the strength which is in union. They are isolated units, and, following a natural law, they each seek to strengthen themselves, which can only be done by weakening their neighbors. The centres are placed at the mercy of the country banks by the system which permits balances due the latter to be counted as part of their legal reserves. Every banker naturally wishes to strengthen his cash on hand in stormy times, and the drain on the central reserve cities, therefore, culminates at the very time they are least able to meet it. Their only resource is to call loans—especially stock exchange loans—and the result is falling stock markets, liquidation, general curtailment of credit functions, and finally panic.

III. LIQUIDITY OF BANK ASSETS. In countries where the banking system is dominated by a central bank with powers of note-issue, other banks have a place where they can rediscount their short-time paper and get currency. The note-issuing power of the central institution enables it to take care of an enormous amount of such business. In addition to that, if a prime discount market be established by allowing banks to accept time bills of exchange, another source of rapid liquidation of bank assets is available. If a bank has invested in these prime bills today and requires the money again tomorrow, it can get it by simply rediscounting the prime bills. When distress exists in any financial centre the rate of discount on such bills rises and attracts money from other and even foreign financial centres. All this is unknown to American Banking. When an American bank invests in a time obligation it locks it away until the day of maturity. It is true that smaller banks frequently call upon the larger banks to rediscount for them, but so unpopular has this natural and proper transaction become that the borrowing bank usually tries to arrange such accommodations in a way that cannot be strictly called rediscounting. In this country there is no discount market, and no central organization through which an American bank, in case of need, can quickly liquidate its short-time investments without loss of standing, or the more or less humiliating process of asking a favor.

IV. CENTRALIZATION OF BANKING POWER CLOSELY ALLIED TO THE GOVERNMENT. One requires very little knowledge of finance to appreciate the tranquilizing power that may be exerted in trying times by a dominating bank closely allied to the government. When the Bank of England, or the Bank of France, comes to the rescue of an institution or a situation the mere report is enough to stop an incipient panic. All the other banks follow its lead, and crises can be met and overcome by such united action before the people know that any danger has threatened. Panic is fear without real cause. It cannot hold sway in the minds of the people after they know that their great national bank, backed by their national government, has undertaken to care for the situation.

THESE are the four chief attributes of sound banking that are enjoyed by all the leading countries of the world, except the United States. To supply them, without radically changing the present system, was the colossal task assigned to the National Monetary Commission. Its Chairman, Senator Aldrich, after years of profound study, has suggested a plan, which in our view, solves the problem in a comprehensive and masterly manner. He proposes to charter "The Reserve Association of America," the capital to be about $300,000,000, the head office to be in Washington, with fifteen branches covering the entire country, divided into fifteen districts. Only national banks can become stockholders—each to the extent of 20% of its capital—and the highest dividend they can ever obtain is 5%—all excess profits, after the establishment of a surplus, ultimately going to the Federal Government. Our space does not permit of a detailed statement of the organization. We believe, however, that complicated as it may seem on first reading, the organization will prove to be simple in practice, and will result in placing the best qualified men on the boards of directors, both of the central association and its branches. We also confidently affirm that the organization completely protects the association from either political or private financial control. This Reserve Association is to be a Bank of Banks, its domestic business being confined to transactions with its own shareholders—the national banks—and the State and Federal Governments. How, then, will this institution supply the four chief needs of our financial system which we have described?

I. ELASTICITY OF CURRENCY. The bonds securing the present currency, amounting to $700,000,000, are to be purchased, and the currency assumed by the Reserve Association. The Association may sell not exceeding $50,000,000 of these bonds per year, and gradually retire the bond-secured currency, replacing it with the Association's own notes secured by one-third gold, and two-thirds good bank assets, following the German plan before alluded to. All note-issues are to be a first lien on the assets of the Association. In addition to these $700,000,000, the Association may make further issues subject, however, to a graduated tax. We do not approve of the tax, but that is a detail. The fifteen branches covering the entire country will supply the necessary redemption facilities. It will be seen that such powers of instantaneous issue and automatic redemption of bank notes supply the element of elasticity so much needed in our currency.

II. MOBILITY OF BANK RESERVES. The Reserve Association shall pay no interest on deposits, but balances on its books to the credit of other banks may be counted as part of their legal reserve. Thus a bank which heretofore has carried, say, $100,000 cash reserve will carry only enough for till money—perhaps $25,000—and deposit the remaining $75,000 with the Association. This will ensure enormous deposits for the Association, and the banks will not withdraw them in troublous times on the well-known principle that they do not want the money if they are sure they can get it. Besides, when a bank must withdraw part of its balance, the Association can remit the money *in its own notes,* and *without weakening its own reserves.* Thus, the reserves of the country will be centralized in one powerful reservoir and used to provide support wherever support is needed.

III. LIQUIDITY OF BANK ASSETS. All the privileges and advantages of the Association are to be equally available to all national Banks which have subscribed to its stock, whether large or small and wherever situated. The Association will stand ready and able to rediscount paper of other banks maturing within 28 days at a rate uniform for the entire country. Longer-dated paper may also be rediscounted, but such paper must be guaranteed by the local Association of banks. Any solvent bank, therefore, experiencing a sudden withdrawal of its deposits will be able to convert its assets into cash at a fair rate of discount—provided, of course, that its assets are good. In addition to this, the plan permits the Reserve Association to buy and sell Bills of Exchange, and allows banks to accept Bills of Exchange for their customers with not over ninety days to run, to the extent of half the capital and surplus of each accepting bank. Considering our enormous imports, there is now abundant foundation for this kind of business, and thus an international discount market for "prime bills" will be established in this country. This will be infinitely better than forcing surplus funds into demand loans on Wall Street, which is our only quickly-available loan market today.

IV. "CENTRALIZATION OF BANKING POWER CLOSELY ALLIED TO GOVERNMENT," will be furnished by the Reserve Association because it is to be the Fiscal Agent for the Federal Government, and the sole depositary of government funds. The Secretary of the Treasury, the Secretary of Commerce and Labor, and the Comptroller of the Currency, are to be ex-officio members of the Board of Directors of the Association. In the public mind, therefore, the action of the Association will be backed and supported by the government. This means confidence instead of distrust, financial peace instead of panic.

THERE are functions and attributes of the proposed Reserve Association of America which we have not mentioned because they are of minor importance and interesting chiefly to bankers. One of the most important of these is to grant Trust and Savings Banks facilities to national banks under proper restrictions, thus opening the door to the State Banks to nationalize on equal terms, and paving the way for a greater and more uniform American banking system. The reform, however, in its broadest aspects is of greater importance to the public generally than to bankers. Bankers can worry through suspensions and panics; indeed, they sometimes make larger profits then than they make in normal times. The real sufferers from a panic are the numerous weak holders of depreciated securities, the ranks of laboring men deprived of work, and the business men of all kinds whose bank credit is suddenly curtailed. The need of the hour is an enlightened public opinion among all classes which shall be strong enough to carry through the proposed legislation.

THE NATIONAL CITY BANK OF CHICAGO.

David R. Forgan
Prest.

Sent Speech

A SIMPLE PLAN TO SECURE AN

AUTOMATIC ELASTIC ASSET EMERGENCY CURRENCY

To Be Had on Demand and Retired When Not Needed.

By LEONARD MATTHEWS, St. Louis, Mo.

Assume an agreement between the United States and the various banks, state or national, and the trust companies members of the various clearing houses of the country can be arranged. To do this the United States must agree to keep on hand and furnish on demand legal tender currency to any clearing house in the country, and the various clearing houses collectively must agree to become liable for any losses made by any individual clearing house to the United States. Three steps only are essential to this reformation of the currency:

1st. The United States Treasurer shall be required to loan any clearing house in the United States, any amount of money demanded to be placed in any city where wanted.

2nd. All clearing houses shall be held liable to the United States for any loan made to any individual clearing house.

3rd. Laws and regulations must be made to enable the above to be carried out.

This scheme would require no bonds or other tangible assets as security for money loaned, thus saving valuable time and possible loss in selling bonds or other assets when retiring the loans, or perhaps save the failure of a bank at a critical moment.

The clearing house should charge such rates of interest that would insure a speedy return of the loans, graduating the rate according to the usual rate of interest charged in its section of the country, making it high enough that the borrower would pay it back as soon as urgent demand ceased, but not later than a fixed time. No doubt in time the interest received on these advances, less a reasonable amount, to be paid the United States for expenses incurred in preparation for the plan, would more than cover the losses likely to accrue, and accumulate a fund with which to form a central national bank, if it should be deemed wise to do so.

In case of loss on any loan by a local clearing house, a greater proportion of the loss should be assessed on such clearing house, to make it careful in accepting securities offered. Sometimes cases may arise when it would be important to sustain a failing institution to prevent undue excitement, even, if the security offered should not be deemed sufficient. In such event, with the approval of a committee, to be appointed, the loss, if any, should be divided, in proper proportion, among all the clearing houses.

By the plan proposed legal tender money will be obtained current everywhere, in contra distinction to local clearing house certificates, used only with local banks. Loans will be obtained on demand, without publicity, and returned as soon as possible, and disgraceful rates of interest being charged as recently seen in the market will not occur again.

It would be an absolutely automatic elastic asset emergency currency, issued when wanted, and retired when not needed, and if desirable, the volume of the currency now outstanding, could be reduced in view of the fact it could be so easily increased to meet temporary unusual demands.

It may be objected that banks and trust companies in clearing houses would be unduly favored, but as soon as they are relieved, they in turn would loan their money to their customers and thus the whole country would be relieved.

This scheme would not prevent panics, but it would reduce their force and frequency, and render it unnecessary to keep up so large a reserve fund as twenty-five per cent. For illustration, suppose a bank or trust company in New York, St. Louis or San Francisco, needed assistance. It would apply to its local clearing house, which, in turn, would, after satisfying itself as to the security offered, wire the Treasurer at Washington to place the amount to the credit of the party applying for the loan in any city where wanted. This would afford instantaneous relief. No circumlocution in putting up bonds, etc., but instead the combined assets of every bank in the various clearing houses would be liable, beside having the best ability of the whole country to manage it. To do this, there might at first be some difficulty in selecting parties best fitted for the duty, but after a few trials the writer feels sure the right men would be selected to suggest the many details necessary to perfect the plan.

It would be necessary for the Treasurer to keep bills on hand ready for emergencies, but in denominations of not less than $100,000.

If this scheme prevail, state banks and trust companies members of the clearing houses, to obtain the assistance needed, should be required to conform with federal laws governing national banks, as far as this scheme may render it necessary.

As the government is constantly deranging trade and finances by its absorption of money through its custom and excise duties, it is only fair that this plan should have its sanction and support, and it will be an important step toward taking it out of the banking business.

There are many details in perfecting this scheme unnecessary to mention here.

It has been said if we did not have a Wall Street, we would have no need of emergency currency. This may be so, but the fact remains we have a Wall Street, and many of them, and they will continue as long as time lasts. A system like the above, governed by the best minds in the nation, would have a tendency to correct many evils, restrain over-speculation and prevent undue expansion. As to a permanent currency based on asset security and the formation of a great national or international bank (suggested by some), plans have not been formulated, but either may be feasible, under similar provisions, though of questionable propriety. If the above scheme is adopted, should it be deemed wise to establish such a bank, the government should own one-half of it, to be paid out of interest received on loans to banks.

The foregoing plan was submitted to our Secretary of the Treasury by the writer in January, 1906, and seems to have met with favorable consideration by the special committee of the Chamber of Commerce of New York, which says, on pages 19 and 20 of its report to the Chamber, under date of October 4th, 1906:

"It has been suggested to the committee that a practical method of putting into operation the principle of a bank note credit currency would be to have Congress recognize this principle by authorizing banks, through a voluntary association of their own, to make such issues within certain limitations and subject to a joint guaranty by participating banks; the details of such guaranty and the provisions for safety to be devised by the banks themselves, subject to the approval of the Comptroller of the Currency. Your committee see practical difficulty in securing the representative judgment of the bankers to devise the details of such a plan, but we are so clearly convinced of the desirability of the application in some form of the principle of a credit currency that we would heartily endorse this plan if Congress and the banking interest approve it."

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The Academy of Political Science in the City of New York

Founded 1880 | Incorporated 1910

Preliminary Announcement

Program of Second National Conference on Currency Reform

October 14-15, 1913

General Topic:

The Reform of the American Banking System

EXECUTIVE AND PROGRAM COMMITTEE

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PROCEEDINGS

The addresses, papers and a summary of the discussion at the meeting will be published in a volume as part of the proceedings of the Academy and distributed *gratis* to all members.

Orders from non-members for this volume will be received and entered for delivery as soon as issued, if order is prepaid at the rate of $1.50 per copy in paper binding and $2.00 per copy in cloth binding.

GENERAL TOPIC

THE REFORM OF THE AMERICAN BANKING SYSTEM

FIRST SESSION
Tuesday, October 14, at Noon

THE FEDERAL RESERVE ACT

(New York Chamber of Commerce, 65 Liberty St.)

SECOND SESSION
Tuesday, October 14, 3 p. m.

THE CENTRALIZATION OF BANKING AND MOBILIZATION OF RESERVES

(New York Chamber of Commerce, 65 Liberty St.)

THIRD SESSION
Wednesday, October 15, 10:30 a. m.

THE ELASTICITY OF CREDIT

(Earl Hall, Columbia University)

FOURTH SESSION
Wednesday, October 15, 2:30 p. m.

FOREIGN AND DOMESTIC EXCHANGE FUNCTIONS OF THE REGIONAL BANKS

(Earl Hall, Columbia University)

BANQUET (FIFTH SESSION)
Wednesday, October 15, 7 p. m.

BANKING REFORM IN THE UNITED STATES

(Hotel Astor)

Earl Hall, Columbia University is near 116th St. Station, Broadway Subway.

FIRST SESSION

TUESDAY, OCTOBER 14, AT NOON
NEW YORK CHAMBER OF COMMERCE, 65 LIBERTY ST.

This meeting, followed by an informal luncheon and the second session, will be held in the Hall of the New York Chamber of Commerce through the courtesy of the Chamber extended to the Academy. Admission will be only by special card of invitation or presentation of membership cards by members of the Chamber or members of the Academy.

Subject: "The Federal Reserve Act."

Addresses by the Honorable Robert L. Owen, Chairman of the U. S. Senate Committee on Banking and Currency, and the Honorable Carter Glass, Chairman of the House of Representatives Committee on Banking and Currency.

SECOND SESSION

TUESDAY, OCTOBER 14, 3 P. M.
NEW YORK CHAMBER OF COMMERCE, 65 LIBERTY ST.

Subject: "The Centralization of Banking and Mobilization of Reserves."

I. Addresses (limited to 20 minutes each):

1. *Scope and Organization of the Proposed Regional Banks*
   H. Parker Willis, The Journal of Commerce and Commercial Bulletin
   A. Barton Hepburn, Chase National Bank
   O. M. W. Sprague, Harvard University
2. *The Mobilization of Reserves.*
   Arthur Reynolds, Des Moines National Bank

II. Discussion (under ten-minute rule):
A. Piatt Andrew, Gloucester, Mass.

THIRD SESSION

WEDNESDAY, OCTOBER 15, 10.30 A. M.
EARL HALL **COLUMBIA UNIVERSITY**

Subject: "The Elasticity of Credit"

I. Addresses

1. *The Rediscount Functions of the Proposed Regional Banks*
   (Speakers to be announced)
2. *The Note Issue*
   Joseph French Johnson, New York University
   E. W. Kemmerer, Princeton University

II. Discussion

Edward B. Howe, Princeton, N. J.
Irving T. Bush, New York City

FOURTH SESSION

WEDNESDAY, OCTOBER 15, 2.30 P.M.
EARL HALL **COLUMBIA UNIVERSITY**

Subject: "Foreign and Domestic Exchange Functions of the Regional Banks"

A Symposium under the ten-minute rule

I. Domestic Exchange Problems:
W. M. Van Deusen
Benjamin Strong, Jr.
Joseph T. Talbert

II. Foreign Exchange Problems:
Alexander D. Noyes
John E. Gardin
J. A. Neilson

FIFTH SESSION

WEDNESDAY, OCTOBER 15, 7 P.M.
BANQUET **HOTEL ASTOR**

Subject: "Banking Reform in the United States"

John H. Finley, Toastmaster
President of the University of the State of New York

Address by the HONORABLE NELSON W. ALDRICH

Guests of Honor:

The Chairmen and members of the United States Senate Committee on Banking and Currency and the House of Representatives Committee on Banking and Currency

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Admission to all sessions will be by membership or guest cards.

Members of the Academy will be admitted upon presentation of their membership cards, and may obtain guest cards without charge except for the First and Fifth Sessions.

A limited number of complimentary guest cards for the second, third, and fourth sessions are available for persons interested in the meetings, who are invited to apply to the Academy for them.

ADMISSION TO BANQUET

Admission to the Banquet at Hotel Astor will be by subscription at the rate of five dollars per plate for members and their guests.

Members who do not wish to attend the Banquet will be admitted without charge to the galleries for the speeches at half past eight o'clock on presentation of their membership cards, and a limited number of guest cards for the galleries may be obtained at one dollar each.

All checks should be made payable to the order of George A. Plimpton, Treasurer.

All communications, orders for dinner tickets and orders for the volume of Proceedings, should be addressed to Miss Emma S. Lake, Academy of Political Science, Kent Hall, Columbia University, New York City.

TABULAR SUMMARY

	Bank of England (1694). (£=$4.8665.)	B
1. CAPITAL AND STOCKHOLDERS.		
Amount of capital, reserve liability, and surplus	Capital, £14,553,000 ($70,822,175). No reserve liability. Surplus, called "rest," about $17,000,000, but fluctuates from week to week; by unwritten custom is never reduced below £3,000,000 ($14,599,500). (Value of bank buildings, perhaps $25,000,000, not carried in account.)	Capital, 182,500,000 francs (
Legal provisions as to surplus	None.	Various requirements, inclu the value of central bank
Number of stockholders	Over 10,000. Number of shares, 145,530 of £100 ($486.65) each, par value.	32,442 (Dec. 24, 1910).
Character of stockholders		11,312 have not more than 1
Restrictions upon ownership and transfer of stocks	None.	None, except that 6,028 sh marked "not transferable.
Restrictions upon voting power	Stockholder to vote must have 5 shares (par $486.65 each), but can have only 1 vote, no matter how many additional shares he may own.	Only 200 largest shareholder to vote.
Powers of stockholders	Elect governor, deputy governor, and directors, and vote by-laws.	Meet once a year, elect regen
Restrictions upon profits of stockholders	None (except such as are due to taxes mentioned later).	None, except that the Govern count rate above 5 per cen tioned later.
Average annual dividends, 1901-1910	9.3 per cent.	13.9 per cent. In 1908, 16 p
2. ORGANIZATION AND MANAGEMENT.		
Chief officials: By whom appointed	Governor and deputy governor, elected by stockholders (practically selected by directors).	Governor and 2 deputy gover
For what time	1 year, customarily reelected a second year. Deputy succeeds governor.	No fixed period; removable a
From what classes or occupations, qualifications, etc	From directors (who are generally merchant bankers or financiers). Governor must hold 40 shares (£4,000), deputy governor 30 shares (£3,000).	Can not be members of Chamb governors 50 shares each.
Functions	Governor directs general policy, supervises business of head office. Deputy governor supervises branch business.	Governor directs general poli management.
Board of directors: Number	24.	General council consists of go (auditors).
By whom selected	By stockholders holding 5 or more shares (but candidates practically nominated by board of directors).	Elected by 200 largest shareho
For what time	1 year, but customarily reelected; 8 of the directors retire every year.	Regents for 5 years; censors fo
From what classes or occupations, qualifications, etc	Usually merchant bankers or financiers, but can not be directors of other banks, bill discounters, or brokers.	5 regents and the 3 censors m regents must come from gen
Functions	Meet weekly, serve on various committees (decide with governors upon changes in bank rate).	Meet once per week. Vote up
Other committees		The general council (governor into 5 committees. The dis holders who are merchants o
3. BRANCHES.		
Number of branches in central city	2.	None.
Number of branches in other cities	9.	200 branches and auxiliary bu
Number of head branches	All of same class.	128 succursales (branches).
Number of subbranches	No subbranches.	72 bureaux auxiliaires.
Number of agencies	No agencies.	312 villes rattachees (agencies).
Functions of head branches	Same as of head office.	Same as of central institution.
Functions of subbranches	None.	Same as of central institution e branch.
Functions of agencies	None.	Only collect bills.
Managers of branches, how appointed	Selected by governor and directors.	By chief of state from 3 candida
Measure of discretion allowed	Discretion subject to supervision from head office. Current London rates telegraphed each morning to branches.	Subject to parent institution a managers are assisted by local
4. RELATIONS TO GOVERNMENT.		
Government ownership of stock	None held by Government.	None held by Government.
Selection of officials	Government has no choice.	Chief of state appoints governor
Frequency and character of reports required	Weekly statements required in form prescribed by act of 1844, but no separation of loans, discounts, and securities, and no distinction between bankers' balances	Quarterly reports required; week but with no separation of bank

MARY OF THE LAWS, PRACTICES, AND STATISTICS OF

PREPARED FOR THE NATIONAL MONETARY COM

[DECEMBER, 1911.]

Bank of France (1800). (1 franc=$.193.)	Reichsbank (1876). ($1=4.20 marks.)	Bank of Sweden (1 krone=26.8 cen
182,500,000 francs ($35,222,500). No reserve liability. Surplus, $8,206,234.	Capital, 180,000,000 marks ($42,857,000). No reserve liability. Surplus, $16,610,000.	Capital, 50,000,000 kroner ($13,400,000). No re 1910), $3,350,000.
requirements, including profits from discount rate in excess of 5 per cent, lue of central bank building, etc.	10 per cent of excess profits over a dividend of 3½ per cent assigned to increasing reserve.	So long as surplus is under 25 per cent of capita be assigned to surplus.
Dec. 24, 1910).	18,748 (December 31, 1910).	There are no stockholders. Bank belongs to Pa
ave not more than 1 share each, and 1,468 over 20 shares each.	All classes or occupations, especially banks, bankers, and merchants. (16,628 native, 2,120 foreign.)	No stockholders. Administration under the cha liament.
xcept that 6,028 shares belonging to married women, minors, etc., are d "not transferable."	None, except that officials of the Reichsbank are prohibited from possessing shares.	No stockholders.
) largest shareholders vote. Foreigners may own stock, but are not allowed e.	Each share of 1,000 marks gives 1 vote, provided that no more than 300 votes be united in one hand.	No stockholders.
ce a year, elect regents and censors, who meet usually once a week.	At annual meeting elect Central-Ausschuss, an advisory body, which meets once a month.	No stockholders.
xcept that the Government receives three-fourths of all profit from raising dis- rate above 5 per cent, also certain taxes and royalties on circulation men- later.	Shareholders receive 3½ per cent dividends and (from January 1, 1911) only 20 per cent of excess profits.	No stockholders.
cent. In 1908, 16 per cent; in 1910, 14 per cent.	6.93 per cent.	Average annual assignments to public treasury,
r and 2 deputy governors, appointed by chief of state.	The Direktorium, consisting of president, vice-president, and 8 managing directors appointed by Emperor on recommendation of Bundesrat.	Administration managed by 7 directors, 6 appoin Crown. From the board itself 3 members a several departments. Chairman may not be o
period; removable at will of chief of state.	For life.	Nominally for parliamentary term of 3 years, pr
be members of Chamber or Senate. Governor must own 100 shares; deputy ors 50 shares each.	No legal provisions.	Chairman of board may not be one of 3 manager
r directs general policy of bank. Deputy governors look after details of ement.	The Direktorium manages the bank and fixes the discount rate.	Conduct business of bank.
council consists of governor, deputy governors, 15 regents, and 3 censors ors).	Central-Ausschuss, 15 members and 15 alternates, all stockholders.	7.
by 200 largest shareholders.	Elected by stockholders.	A special committee of 24 members of both hou names chairman.
for 5 years; censors for 3 years.	Annually, but customarily reelected.	For the duration of each Parliament, 3 years.
and the 3 censors must come from commercial and industrial classes; 3 must come from general paying treasurers. Must own 30 shares.	No instructions. In practice, bankers, merchants, landlords, and manufacturers.	During tenure of office may not be directors of any Can not be members of council of state, or ma
e per week. Vote upon changes in the rate of discount.	A consultative body; meets once a month. May limit amount of securities purchased and of loans to Government.	Meet weekly to supervise bank operations. Dail to transact lending business.
eral council (governor, deputy governors, regents, and censors) is divided committees. The discount committee of 12 members includes other share- who are merchants or manufacturers, as well as members of the council.	Curatorium, 5 members, including imperial chancellor, Prussian minister of finance, and 3 members of Bundesrat selected by that body. Final seat of authority.	Audit committee appointed by Parliament.
	1 central bank in Berlin.	None.
hes and auxiliary bureaus.	488 (October, 1911).	26.
rsales (branches).	20 Hauptstellen head offices (1911).	26.
x auxiliaires.	76 Bankstellen offices (1911).	None.
rattachees (agencies).	392 Nebenstellen agencies and auxiliary branches (1908) (including 5 warehouses for merchandise).	None.
of central institution.	Same as of central institution.	Same as head office.
of central institution except that all discounts are referred to nearest head	Auxiliary branches and agencies. All business done (discount and loans) referred to respective head branch.	None.
ect bills.	(*See* above).	None.
of state from 3 candidates proposed by governor of bank.	Head managers (directors) of Hauptstellen (head offices) by the imperial chancellor on recommendation of the president; managers of all other branches by the president.	By central board.
o parent institution as regards rate of discount and important matters; rs are assisted by local board.	Head branches act under supervision of the Direktorium, subbranches under that of the respective head branches.	Subject to general and special instructions.
d by Government.	None held by Government.	No stock issued; belongs to legislature.
tate appoints governor and deputy governors of bank.	Emperor appoints president and members of Direktorium, also 2 members of curatorium, of which Bundesrat selects other 3.	Directors appointed by a special joint committ directors. King names chairman of board.
reports required; weekly statements voluntarily published in some detail h no separation of bankers' balances from other deposits. Annual reports	Weekly statements required in some detail, but no separation of bankers' balances	[illegible]

TATISTICS OF THE PRINCIPAL BANKS OF THE LEADI

RED FOR THE NATIONAL MONETARY COMMISSION BY A. PIATT ANDREW.

[DECEMBER, 1911.]

	Bank of Sweden (1668). (1 krone=26.8 cents.)	Bank of Italy (1893). (1 lire=$.193.)	Bank of S (1 f
0.	Capital, 50,000,000 kroner ($13,400,000). No reserve liability. Surplus (Dec. 31, 1910), $3,350,000.	Paid capital, 180,000,000 lire ($34,740,000). Unpaid $11,580,000. Surplus (ordinary legal, 1908), $9,264,000 and extraordinary surplus, $1,930,000. (Each share is 800 lire nominal and 600 paid up.)	December 31, 1908: Paid capital, 25, Unpaid capital, $4,825,000.
ıg	So long as surplus is under 25 per cent of capital, 10 per cent of yearly profits must be assigned to surplus.	Must equal one-fifth capital.	10 per cent of net profits, not exceedi fund, until the surplus amounts to
	There are no stockholders. Bank belongs to Parliament.	9,927, of which 9,703 in Italy and 224 abroad.	10,004 shareholders (1910). 23 cant balance, 44,692, owned by 9,948 in
28	No stockholders. Administration under the charge of a commission chosen by Parliament.	All classes, but some of the large credit establishments hold 3,000 or 4,000 shares each.	⅖ of capital reserved by law to the c private individuals.
s.	No stockholders.	None, except in cases of dispute of heritage; the tribunal must consent to the transfer.	Individual shareholders must be Sw in Switzerland. Every transfer m
pe	No stockholders.	20 shares required for a vote, but one shareholder can have no more than 50 votes.	Each share officially registered enti holder can have more than 100 vot
a	No stockholders.	Meet annually and select 4 directors. General annual meeting held at Rome.	30 shareholders, representing 10,000 s for extraordinary meetings), elect sion of 3 members and 3 substitute
er	No stockholders.	Shareholders receive 5 per cent dividend on paid-in capital and two-thirds of profits until 6 per cent and then only one-half of remaining profits, the rest going to the State.	Limited to 4 per cent dividends; th surplus, goes to the Government.
o.	Average annual assignments to public treasury, 11.3 per cent of capital.	3.275 per cent. During these years profits were being put aside to liquidate old obligations.	1907–1910, 4 per cent. Bank organi
rs	Administration managed by 7 directors, 6 appointed by legislature, chairman by the Crown. From the board itself 3 members are assigned the management of the several departments. Chairman may not be one of 3 managers.	General manager and submanager elected by superior council, but must be approved by the Government.	Direktorium—3 members—elected (Local manager and submanager in by Bundesrat.
	Nominally for parliamentary term of 3 years, practically longer.	Indefinitely.	6 years.
	Chairman of board may not be one of 3 managers.		Bank managers are not allowed to board of another banking instituti
	Conduct business of bank.	The general manager is head of the administration of the bank.	Each has charge of one of the three and note issue.
	7.	Superior council of 22 members. (General manager, under general manager, and superior council comprise the directory.)	Bank council, 40 members.
	A special committee of 24 members of both houses of Parliament appoints 6; King names chairman.	18 elected by the shareholders at a meeting held in turn every 3 years at each head branch and 4 elected annually in Rome by the shareholders.	15 elected by general meeting and 2
	For the duration of each Parliament, 3 years.	Three years.	4 years.
	During tenure of office may not be directors of any other bank, except savings banks. Can not be members of council of state, or managers of national debt office.		Must be Swiss citizens; not more t more than 5 members of governm
r-	Meet weekly to supervise bank operations. Daily attendance of at least 4 is needed to transact lending business.	Appoint bank staff upon recommendation of the general manager.	General supervision.
e,	Audit committee appointed by Parliament.	Committee of 3 or 5 syndics elected yearly by stockholders to supervise general management of bank.	Bank committee, 7 members; local mission, 6 members.
	None.	1 central bank in Rome.	Berne center for administration of n
	26.	Bank of Sicily and Bank of Naples are independent note-issuing banks, and have their head offices respectively in Palermo and Naples.	8 branches (including Berne and Zu
	26.	11.	None.
	None.	69. The bank is obliged to have either head office or branch in capital of each of 69 Provinces, and in cities where branches of late Tuscan Bank were located.	None.
r	None.	22. Many private banks and credit institutions also act as correspondents for the collection of bills and payment of obligations.	13 agencies (1910).
	Same as head office.	Same as central institution.	
d	None.		No subbranches.
	None.	Can not discount directly, but receive deposits, collect bills, redeem notes. Recently "first-class agencies" have authority to discount within certain limits.	Agencies reimburse notes, discou over transfers; act as mediator in
r e	By central board.	By general manager upon proposal of superior council. He is assisted by a local board of from 8 to 12 councilors or censors, selected every 6 years by assembly of shareholders.	By Federal Council on proposal of
t	Subject to general and special instructions.	Agencies can not undertake discounting operations directly. By a recent modification of the law "first-class agencies" may discount within certain limits through a small discounting committee.	
	No stock issued; belongs to legislature.	None held by the Government.	Confederation not allowed to poss reserved to the Cantons.
r	Directors appointed by a special joint committee of Parliament; other officials by directors. King names chairman of board.	State does not select any officers, but must approve the election of the general manager and submanager.	Federal Council elects the chairm 23 other members of the counc members of general management
	[illegible]	Annual report. [illegible]	Annual report, balance sheet, and [illegible]

F THE LEADING COUNTRIES.—SHEET 1.

	Bank of Switzerland (1907). (1 franc=$.193.)	Bank of Belgium (1850). (1 franc=$.193.)	
plus (ordinary	December 31, 1908: Paid capital, 25,000,000 francs ($4,825,000). Unpaid capital, $4,825,000.	(1908) Capital, 50,000,000 francs ($9,650,000). No reserve liability. Surplus, $6,860,216.	**1. CAPITAL** Amount of capital, rese
	10 per cent of net profits, not exceeding 500,000 francs a year, is set aside for surplus fund, until the surplus amounts to 30 per cent of paid-in capital.	10 per cent of net profits in excess of 4 per cent per annum is set aside to meet losses in capital and to insure a dividend of 4 per cent on capital.	Legal provisions as to s
	10,004 shareholders (1910). 23 cantons hold 38,772 shares, 33 banks 16,536 shares; balance, 44,692, owned by 9,948 individuals.	50,000 shares. 24,221 nominative shares divided among 889 holders and 25,779 shares to bearer (1908).	Number of stockholders
00 shares each.	2/5 of capital reserved by law to the cantons; 1/5 to the old banks of issue, and 2/5 to private individuals.	All classes.	Character of stockholde
onsent to the	Individual shareholders must be Swiss citizens, firms, or corporations domiciled in Switzerland. Every transfer must be approved by the bank committee.	No restrictions as to ownership.	Restrictions upon owne
han 50 votes.	Each share officially registered entitles holder to one vote, but no private shareholder can have more than 100 votes.	10 shares required for a vote, but 1 person can have no more than 5 votes either as a shareholder or a proxy.	Restrictions upon votin
at Rome.	30 shareholders, representing 10,000 shares, a quorum, meet annually (or when called for extraordinary meetings), elect 15 members of bank council, the audit commission of 3 members and 3 substitutes, and decide all affairs laid before the meeting.	Shareholders' assembly meets twice a year; elects directors and censors. Acts upon all matters placed before them by the council of administration or censors.	Powers of stockholders.
hirds of profits t going to the	Limited to 4 per cent dividends; the rest, except for 10 per cent credited to the surplus, goes to the Government.	Shareholders receive 4 per cent of net profits; 25 per cent of remainder goes to State, 10 per cent to reserve, and the rest to the shareholders.	Restrictions upon profit
liquidate old	1907–1910, 4 per cent. Bank organized in 1907.	(1899-1908) 15.01 per cent.	Average annual divider
must be ap-	Direktorium—3 members—elected (on proposal of bank council) by the Bundesrat. Local manager and submanager immediately under direktorium, also appointed by Bundesrat.	Governor and deputy governor appointed by the King, 6 directors elected by shareholders.	**2. ORGANIZAT** **Chief officials:** By whom appointe
	6 years.	Governor serves 5 years. May be reappointed.	For what time.
	Bank managers are not allowed to practice any other profession or belong to the board of another banking institution. Can not be members of the Nationalrat.	Governor must own 50 shares, directors 25 shares; must reside in Brussels and can not be a member of the legislative body or draw a State pension or belong to board of any other bank.	From what classes
	Each has charge of one of the three departments: Discount and giro, management, and note issue.	Each director is intrusted with control of one or more departments of the bank.	Functions.
manager, and	Bank council, 40 members.	General council, 14 members (governor, 6 directors, and 7 censors).	**Board of directo** Number.
years at each	15 elected by general meeting and 25 by Bundesrat.	By shareholders.	By whom selected.
	4 years.	6 years; may be reelected.	For what time.
	Must be Swiss citizens; not more than 5 can be members of Federal Chamber nor more than 5 members of government of Cantons.		From what classes
	General supervision.	General council exercises general supervision over affairs of bank, appoints discount committee, etc.	Functions.
pervise general	Bank committee, 7 members; local committees, 3 to 4 members; also audit commission, 6 members.	Council of censors (7), which audits books, etc., chosen by shareholders for 3 years.	**Other committe**
	Berne center for administration of note issue; Zurich center for general management.	1 head office or central institution (Brussels).	**3** Number of branches in
ks, and have	8 branches (including Berne and Zurich), all coordinate.	1 branch at Antwerp.	Number of branches in
	None.	1 branch at Antwerp (as above).	Number of head branc
of each of 69 located.	None.	None.	Number of subbranche
dents for the	13 agencies (1910).	39 agencies and 30 discount offices.	Number of agencies.
		Apparently the same as at central or head office.	Functions of head bra
	No subbranches.	No subbranches.	Functions of subbranc
notes. Re- tain limits.	Agencies reimburse notes, discount bills, grant loans against deposits, and take over transfers; act as mediator in all other business.	Act as guarantors for much of the paper discounted by the bank. They are usually private partnerships.	Functions of agencies.
ed by a local by assembly	By Federal Council on proposal of council of the bank.	Agents are appointed by the King from a double list furnished by the administrative council.	Managers of branches,
ecent modifi- imits through		Discounts are granted provisionally by agents of the bank.	Measure of discretion
	Confederation not allowed to possess any shares of the bank; but 2/5 of capital are reserved to the Cantons.	None held by the Government.	**4. RELATI** Government ownershi
f the general	Federal Council elects the chairman and vice chairman of the bank council and 23 other members of the council of the bank; also on proposal of the council members of general management, directors, and subdirectors of branches.	King appoints governor and deputy governor; besides, a Government commissioner is appointed by the State.	Selection of officials.
	Annual report, balance sheet, and accounts must be approved by Federal Council		

(C)OUNTRIES.—SHEET 1.

1907).	Bank of Belgium (1850). (1 franc=$.193.)	
,825,000).	(1908) Capital, 50,000,000 francs ($9,650,000). No reserve liability. Surplus, $6,860,216.	**1. CAPITAL AND STOCKHOLDERS.** Amount of capital, reserve liability, and surplus.
year, is set aside for surplus d-in capital.	10 per cent of net profits in excess of 4 per cent per annum is set aside to meet losses in capital and to insure a dividend of 4 per cent on capital.	Legal provisions as to surplus.
ares, 33 banks 16,536 shares;	50,000 shares. 24,221 nominative shares divided among 889 holders and 25,779 shares to bearer (1908).	Number of stockholders.
old banks of issue, and ⅞ to	All classes.	Character of stockholders.
, or corporations domiciled y the bank committee.	No restrictions as to ownership.	Restrictions upon ownership and transfer of stocks.
vote, but no private share-	10 shares required for a vote, but 1 person can have no more than 5 votes either as a shareholder or a proxy.	Restrictions upon voting power.
eet annually (or when called k council, the audit commis- airs laid before the meeting.	Shareholders' assembly meets twice a year; elects directors and censors. Acts upon all matters placed before them by the council of administration or censors.	Powers of stockholders.
10 per cent credited to the	Shareholders receive 4 per cent of net profits; 25 per cent of remainder goes to State, 10 per cent to reserve, and the rest to the shareholders.	Restrictions upon profits of stockholders.
	(1899-1908) 15.01 per cent.	Average annual dividends, 1901–1910.
council) by the Bundesrat. direktorium, also appointed	Governor and deputy governor appointed by the King, 6 directors elected by shareholders.	**2. ORGANIZATION AND MANAGEMENT.** **Chief officials:** By whom appointed.
	Governor serves 5 years. May be reappointed.	For what time.
profession or belong to the embers of the Nationalrat.	Governor must own 50 shares, directors 25 shares; must reside in Brussels and can not be a member of the legislative body or draw a State pension or belong to board of any other bank.	From what classes or occupations, qualifications, etc.
unt and giro, management,	Each director is intrusted with control of one or more departments of the bank.	Functions.
	General council, 14 members (governor, 6 directors, and 7 censors).	**Board of directors:** Number.
	By shareholders.	By whom selected.
	6 years; may be reelected.	For what time.
ers of Federal Chamber nor		From what classes or occupations, qualifications, etc.
	General council exercises general supervision over affairs of bank, appoints discount committee, etc.	Functions.
members; also audit com-	Council of censors (7), which audits books, etc., chosen by shareholders for 3 years.	**Other committees.**
ter for general management.	1 head office or central institution (Brussels).	**3. BRANCHES.** Number of branches in central city.
e.	1 branch at Antwerp.	Number of branches in other cities.
	1 branch at Antwerp (as above).	Number of head branches.
	None.	Number of subbranches.
	39 agencies and 30 discount offices.	Number of agencies.
	Apparently the same as at central or head office.	Functions of head branches.
	No subbranches.	Functions of subbranches.
against deposits, and take	Act as guarantors for much of the paper discounted by the bank. They are usually private partnerships.	Functions of agencies.
	Agents are appointed by the King from a double list furnished by the administrative council.	Managers of branches, how appointed.
	Discounts are granted provisionally by agents of the bank.	Measure of discretion allowed.
bank; but ⅗ of capital are	None held by the Government.	**4. RELATIONS TO GOVERNMENT.** Government ownership of stock.
n of the bank council and on proposal of the council irectors of branches.	King appoints governor and deputy governor; besides, a Government commissioner is appointed by the State.	Selection of officials.

Managers of branches, how appointed	Selected by governor and directors.	By chief of state from
Measure of discretion allowed	Discretion subject to supervision from head office. Current London rates telegraphed each morning to branches.	Subject to parent ins managers are assiste
4. RELATIONS TO GOVERNMENT.		
Government ownership of stock	None held by Government.	None held by Govern
Selection of officials	Government has no choice.	Chief of state appoints
Frequency and character of reports required	Weekly statements required in form prescribed by act of 1844, but no separation of loans, discounts, and securities, and no distinction between bankers' balances and other deposits. No annual reports published.	Quarterly reports requ but with no separati published with stati
Methods and mechanism for government inspection	No Government inspection.	No regular examinatio desires, and no reso the hand of the gove
Participation in profits	In 1910, £186,731 ($908,726) for net profits on note issue in excess of £14,000,000.	General and special t holders.
Taxation	Subject to same local and general taxes as other banks, and to an annual payment of £60,000 ($291,690) in consideration of exception of bank notes from stamp duty.	Pays general taxes, an circulation, one-fifti tive means covered special taxes, $289,2
Other payments required by Government		Royalty for use of Créd "productive" circul
Permanent loans to Government	$53,604,984 (£11,015,100).	$54,040,000—$34,740,00 and $19,300,000 fixed
Other loans to Government and their limits	About $115,000,000 additional of government securities, including treasury bills, held by bank in August, 1908.	Disposable government
Custody of Government funds, with interest paid	Bank is practically the sole depositary wherever it has branches. No interest paid.	Bank is sole depositary
Further services rendered to Government and payments for same	Manages and pays dividends on public debt, for which services during year ending March, 1910, bank received £195,242 ($948,876.12), makes temporary advances, acts as agent for the mint. (Receives also £200 annually on every million pounds in securities in issue department.)	Transfers funds, issues
Duration of charter	The charter of 1694 is perpetual, but subject to modification or repeal by Parliament.	Charter expires in 1920
5. DISCOUNTS, LOANS, ETC.		
Discounts: Average amount, 1910	The bank statements do not distinguish between loans, discounts, and non-government securities. These aggregated, December 30, 1908, $219,413,121. Average amount, 1908, $144,165,196.	Average, $188,618,900.
Average and minimum size	About $5,000. No minimum.	(1910) $119.60. Minim each.
Average duration	40 to 50 days.	1906, 24 days; 1907, 2 age for 10 years, 24 d
Maximum duration allowed	Maximum 4 months, exceptionally 6.	3 months, with possible
For what classes in community	Any person, firm, or company having an account (including in reality colonial and foreign exchange banks).	All classes, but about 7
Number of signatures required	2 British names, of which one must be acceptor.	3 names, of which two
Other security accepted		Loan collateral accepta
Loans on collateral: Average amount, 1910	Not published separate from discounts and non-government securities.	Average for 1910, $106,
Average and minimum size	$500 to millions.	Many small. Minimu
Average duration	7 to 90 days.	Mostly for a short perio
Maximum duration allowed	3 months, subject to possible renewal.	3 months with possible
For what classes in community	Any person, firm, or company having a properly constituted account.	All classes.
Kinds of collateral accepted	Stock-exchange securities, except mining shares, or exceptionally other securities of ascertainable value.	List published. Princ cities, and colonies, g
Proportion of loan to collateral	Varies according to class of security.	Margin varies accordin
Overdrafts	Not allowed except under very exceptional circumstances.	Not allowed.
Loans on real estate	Have only been granted very exceptionally.	Not allowed.
Securities held: What kinds allowed	Scarcely any restrictions. In reality the "other securities" are supposed to include railway debentures, bonds of colonial governments, and some corporation stocks.	Only government secu
Average amount, 1910	Government securities in banking department, average 1910, $74,266,000. "Other securities," $146,577,600, include loans and discounts. Other securities in issue department, 1910, about $36,133,000	December 24, 1910. D

	By chief of state from 3 candidates proposed by governor of bank.	on recommendation of the president, managers of all other branches by the president.	By central board.
e-	Subject to parent institution as regards rate of discount and important matters; managers are assisted by local board.	Head branches act under supervision of the Direktorium, subbranches under that of the respective head branches.	Subject to general and special in
	None held by Government.	None held by Government.	No stock issued; belongs to legisl
	Chief of state appoints governor and deputy governors of bank.	Emperor appoints president and members of Direktorium, also 2 members of curatorium, of which Bundesrat selects other 3.	Directors appointed by a special directors. King names chairm
of es	Quarterly reports required; weekly statements voluntarily published in some detail but with no separation of bankers' balances from other deposits. Annual reports published with statistics.	Weekly statements required in some detail, but no separation of bankers' balances from other deposits. Annual reports published with statistics.	Weekly principal items belongi detailed statement.
	No regular examination, but minister of finance can call for any information he desires, and no resolution of the general council can be executed unless under the hand of the governor, representing the State.	The curatorium, consisting of government officials, meets every 3 months to supervise conduct of the bank. (Accounts audited by Board of Accounts of German Empire.)	Inspected by a select committee committee appointed by Parlia
	General and special taxation totals about two-thirds profits distributed to shareholders.	About two-thirds total profits go to Government. Government receives 70 per cent of profits after payment of 3½ per cent dividend. In 1908 this amounted to $5,489,000, in 1910 to $3,826,500.	All profits not necessary for assign
of y.	Pays general taxes, and special tax of one-twentieth of 1 per cent of "productive" circulation, one-fiftieth of 1 per cent of "unproductive" circulation. (Productive means covered by loans and discounts.) General taxes, 1910, $398,758; special taxes, $289,229.	Exempted from Government income tax and license fees, but pays real estate tax and 5 per cent tax on all uncovered notes in excess of $130,900,000, and at end of each quarter of $178,500,000.	Exempt from paying government
	Royalty for use of Crédit Agricole equaling one-eighth average discount rate times "productive" circulation. Amounted to $1,419,901 in 1907.	Until 1925 an indemnity of $444,000 to Prussian Government.	None. (*See* preceding.)
	$54,040,000—$34,740,000 without interest, including $7,720,000 for Crédit Agricole, and $19,300,000 fixed government debt, law of June 9, 1857.	None.	None.
s,	Disposable government bonds, $19,228,800.	Treasury bills amounting to $30,500,000 held December 31, 1910.	The administration of the national balance of 6,500,000 kroner ($40
l.	Bank is sole depositary. No interest paid.	Bank is sole depositary for funds of the Empire, but not for Federal States. No interest paid.	No interest paid.
g ts n	Transfers funds, issues treasury bills, pays coupons gratuitously for Government.	Transfers funds, discounts treasury bills, pays coupons.	Makes all government payments a
t.	Charter expires in 1920, terminable in 1911; last renewed in 1897.	Charter runs for 10 years, but terminable at one year's notice before expiration. Renewed in 1909 for 10 years, to 1920.	Indefinite (i. e., nonterminable).
-e	Average, $188,618,900.	Average 1910, local bills, $114,480,000; remitted bills, $88,805,000; foreign bills, $33,488,000. Total, $236,773,000.	Inland bills, $31,748,000; all bills,
	(1910) $119.60. Minimum, $1 (5 fr.); 55 per cent of discounts less than 180 francs each.	No minimum. Average size, $465 in 1908; $524 in 1910.	$573.
	1906, 24 days; 1907, 26 days; 1908, 25 days; 1909, 22 days; 1910, 24 days. Average for 10 years, 24 days.	1906, 34 days; 1907, 33 days; 1908, 34 days; 1909, 32 days; 1910, 31 days.	About 50 days. (Inland bills.)
	3 months, with possible renewal.	3 months—in case of farmers, once renewable.	6 months.
d	All classes, but about 70 per cent come through banks.	All classes, but about 60 per cent of discounted bills come through bankers. Of 66,700 customers, 2,400 banks, 24,000 merchants, 21,200 manufacturers, 9,900 farmers, 9,200 miscellaneous.	All classes, provided bills represen
	3 names, of which two must be of residents of France.	2 names.	Must be accepted (i. e., 2 signature
	Loan collateral acceptable in place of third signature.	Loan collateral not acceptable in place of second signature.	No regulation on this point.
	Average for 1910, $106,227,200 on gold coin, gold bars, and securities.	Average, $23,439,000.	$5,337,000, together with $1,751,0 banks.
	Many small. Minimum size 250 francs ($48.25).	Average 1910, $7,839. Minimum $120 for bankers and merchants and $24 for individuals.	$10,713.
	Mostly for a short period, not less than 2 weeks.	10 days (1910).	About 45 days.
	3 months with possible renewal.	3 months, with possible renewal.	6 months' certain or in some cases 3
	All classes.	All classes, especially banks and bankers.	All classes.
s	List published. Principally bonds issued or guaranteed by National Government, cities, and colonies, gold, bullion, and foreign gold coins.	Securities, guaranteed by governments, mortgage bonds, discountable bills, merchandise, gold, and silver.	Bonds, shares, or other documentar
	Margin varies according to collateral from 20 per cent to 40 per cent.	Margin varies according to collateral—50 and 25 per cent in case of bonds, 5 per cent in case of discountable bills and gold, at most ½ in case of merchandise and foreign securities.	As directors determine.
	Not allowed.	Not allowed.	Open credits, on security, are grante actually drawn, plus a commissio
	Not allowed.	Not allowed.	Average amount, 1910, $993,000, or
e	Only government securities.	No securities purchased for investment, but government and municipal bonds bought for sale to customers, also treasury bills having an average of 30 days to run.	Foreign government bonds, of readil and bonds of the general mortgage the bonds are quoted on foreign e
r e	December 24, 1910. Disposable government securities amounted to $19,228,800.	Average (1910), $27,842,000.	Dec. 31, 1910, bonds held, $3,476,00

central board.	of shareholders.	
bject to general and special instructions.	Agencies can not undertake discounting operations directly. By a recent modification of the law "first-class agencies" may discount within certain limits through a small discounting committee.	
stock issued; belongs to legislature.	None held by the Government.	Confederation not allowed to possess an reserved to the Cantons.
rectors appointed by a special joint committee of Parliament; other officials by directors. King names chairman of board.	State does not select any officers, but must approve the election of the general manager and submanager.	Federal Council elects the chairman an 23 other members of the council of members of general management, dire
eekly principal items belonging to note issue, monthly full balance, annually detailed statement.	Annual report. Statement required every 10 days on model furnished by Government.	Annual report, balance sheet, and acco before submission to general meeting ment of assets and liabilities.
spected by a select committee appointed by every regular Parliament. Audit committee appointed by Parliament for bank and each branch.	A central bureau of inspection at the ministry of the treasury examines the assets. A permanent commission of supervision also passes judgment upon mooted questions.	Special board of inspectors, whose offi treasuries, books, and securities are pe
ll profits not necessary for assignment to surplus is disposed of by Parliament.	Government receives one-third of profits in excess of 5 per cent or one-half of profits in excess of 6 per cent. In 1910 this amounted to 3,300,000 lire ($636,900).	The remainder of the net profits, after d of a maximum dividend of 4 per cent, $254,290 paid to the Treasury.
xempt from paying government taxes on real estate, income, etc.	In addition to general income and stamp taxes, one-tenth per cent on productive circulation, and graded tax on issues in excess of normal maximum, and 7½ per cent on issues beyond the maximum allowed or not covered by 40 per cent cash.	The bank is free from every kind of tax
one. (*See* preceding.)	Bank contributed $6,000,000 to Italian Credit Foncier, which is now in liquidation. Bank obliged to pay expense of Government supervision, $14,000 annually.	None.
one.	None.	None.
The administration of the national debt office is granted by the bank on uncovered balance of 6,500,000 kroner ($402,000).	Bank of Italy obliged to lend Government up to $22,195,000, in case of need, at 1½ per cent.	None.
No interest paid.	Bank is sole depositary. Pays interest of 1½ per cent on deposits in excess of $7,720,000.	Government deposits bear interest.
Makes all government payments and collections free of charge.	Helps in issue of loans. Conducts the business of the treasury gratuitously.	Receives for custody, free of charge, se eration, and handles payments for the and board of alcohols.
Indefinite (i. e., nonterminable).	30 years. Expires 1923.	20 years; expires 1927.
Inland bills, $31,748,000; all bills, $33,781,000.	$84,881,400.	Average 1907, $10,769,400; 1908, $12,15
$573.	Average in 1907, $269.72. 14 per cent were for amounts below $20 and about 70 per cent for amounts between $20 and $200.	1907, $1,403; 1908, $1,201; 1909, $1,268
About 50 days. (Inland bills.)	59 days (1907).	1907, 28 days; 1908, 18 days; 1909, 29 d
6 months.	4 months.	90 days.
All classes, provided bills represent real business transactions.	Banks, credit societies, and all kinds of institutions, and at the agencies, industrial people, agricultural landowners, and small tradespeople.	All classes, including agricultural b transactions.
Must be accepted (i. e., 2 signatures at least).	At least 2.	2.
No regulation on this point.	Treasury bills, public warehouse warrants, or loan collateral.	None.
$5,337,000, together with $1,751,000 of special advances to former note-issuing banks.	$18,837,765.	Loans on collateral, $3,606,451, as show
$10,713.		Average size, 1907, $32,424; 1908, $20,
About 45 days.		1907, 15 days; 1908, 11 days; 1909, 13
6 months' certain or in some cases 3 months' notice.	4 months on government securities and 6 months on silk, etc. On treasury bills extendable to 2 years.	90 days.
All classes.	All classes.	Mostly banks.
Bonds, shares, or other documentary security, including warrants.	Securities guaranteed by governments, silk, warehouse warrants, and pledges to deliver commodities on a certain date.	Swiss federal, cantonal, and communal quoted in Switzerland; bonds of fir bars, coin, drafts.
As directors determine.	From 50 to 100 per cent (the latter on treasury bills only).	On Federal loans, 90 per cent; on cant 75 per cent; foreign securities, 70 p
Open credits, on security, are granted at the 3 months' discount rate on the amount actually drawn, plus a commission generally of one-half of 1 per cent per annum.	Not allowed.	Not allowed.
Average amount, 1910, $993,000, or about 19 per cent of the loans.	Not allowed.	Title deeds accepted as collateral for
Foreign government bonds, of readily realizable kinds, Swedish government bonds, and bonds of the general mortgage bank and other Swedish enterprises, provided the bonds are quoted on foreign exchanges.	State securities and securities guaranteed by the State, including Italian rente, not exceeding $15,000,000.	Interest-bearing bonds of the Confed temporary investment only; precio
Dec. 31, 1910, bonds held, $3,476,000.	December 31, 1910, $32,642,283.	Average, 1910, $2,441,000.

rations directly. By a recent modifi- discount within certain limits through		council. Discounts are granted provisionally by agents of the bank.
	Confederation not allowed to possess any shares of the bank; but $\frac{2}{5}$ of capital are reserved to the Cantons.	None held by the Government.
approve the election of the general	Federal Council elects the chairman and vice chairman of the bank council and 23 other members of the council of the bank; also on proposal of the council members of general management, directors, and subdirectors of branches.	King appoints governor and deputy governor; besides, a Government commissione is appointed by the State.
0 days on model furnished by Govern-	Annual report, balance sheet, and accounts must be approved by Federal Council before submission to general meeting. Required also to publish weekly statement of assets and liabilities.	A statement of condition of the bank and agencies is forwarded every week to th minister of finance and is published in official newspaper.
ry of the treasury examines the assets. also passes judgment upon mooted	Special board of inspectors, whose officials are elected by Federal Council; the treasuries, books, and securities are periodically verified.	Government commissioner watches over operations of the bank, has right to exam ine the books, etc.
xcess of 5 per cent or one-half of profits nted to 3,300,000 lire ($636,900).	The remainder of the net profits, after deduction of 10 per cent for the surplus and of a maximum dividend of 4 per cent, is paid over to the Federal Treasury; 1910, $254,290 paid to the Treasury.	Receives all profits from a discount above 3½ per cent, together with ¼ of excess o net profits after payment of 4 per cent dividend to shareholders, and the profi on bills held for the State; all amounted to $892,470 in 1908.
xes, one-tenth per cent on productive xcess of normal maximum, and 7½ per ed or not covered by 40 per cent cash.	The bank is free from every kind of taxation.	Patent tax on gross volume of business (1908, $43,492), stamp tax on notes (1908 $72,674), tax of ¼ of 1 per cent semiannually on excess of circulation above $53,075,000 (1908, $449,096).
t Foncier, which is now in liquidation. ent supervision, $14,000 annually.	None.	A payment of $44,390 toward expenses of treasury administration in the Provinces.
	None.	None.
up to $22,195,000, in case of need, at	None.	None.
1½ per cent on deposits in excess of	Government deposits bear interest.	Government deposits bear no interest. Treasury funds in excess of requirements of service are invested in commercial securities.
ness of the treasury gratuitously.	Receives for custody, free of charge, securities and valuables belonging to Confederation, and handles payments for the Federal Treasury, post office, the customs, and board of alcohols.	Acts as registrar and transfer officer of the national debt; as custodian of bonds given by public officers and of various special funds, including those of the savings bank. Government's deposits above 5,000,000 francs must be invested and profit credited to State.
	20 years; expires 1927.	Charter extended in 1900; expires January 1, 1929.
	Average 1907, $10,769,400; 1908, $12,159,000; 1909, $17,007,000; 1910, $21,899,000.	Discounts December 31, 1908, $95,237,450.
re for amounts below $20 and about 200.	1907, $1,403; 1908, $1,201; 1909, $1,268; 1910, $1,221.	Average size accepted paper $421 and nonaccepted paper $62.
	1907, 28 days; 1908, 18 days; 1909, 29 days; 1910, 26 days.	Average for accepted paper 46 days and for nonaccepted paper 43 days.
	90 days.	100 days.
tutions, and at the agencies, industrial tradespeople.	All classes, including agricultural business, provided bills represent business transactions.	Merchants, manufacturers, and, under certain conditions, farmers.
	2.	3; but commercial bills with 2 signatures may be admitted under certain conditions approved by minister of finance.
r loan collateral.	None.	Warehouse receipts, merchandise, or public funds may be pledged in lieu of one signature.
	Loans on collateral, $3,606,451, as shown by the balance sheet December 31, 1910.	Loans on public securities, outstanding December 31, 1908, amounted to $9,923,890.
	Average size, 1907, $32,424; 1908, $20,458.	Not stated.
	1907, 15 days; 1908, 11 days; 1909, 13 days; 1910, 15 days.	10 days to 4 months.
onths on silk, etc. On treasury bills	90 days.	4 months and 1 extension allowed.
	Mostly banks.	Loans on securities to other than merchants are required to be registered at the cost of the borrower at rate of $\frac{3}{10}$ of 1 per cent of the amount of the loan.
, warehouse warrants, and pledges to,	Swiss federal, cantonal, and communal loans as far as quoted; loans of foreign States quoted in Switzerland; bonds of first-class Swiss banks, if quoted, etc.; gold in bars, coin, drafts.	National bonds, treasury bonds, and other securities guaranteed by the State.
y bills only).	On Federal loans, 90 per cent; on cantonal loans, 80 per cent; other Swiss securities, 75 per cent; foreign securities, 70 per cent.	Securities accepted as collateral for not more than [illegible] of their current market value.
	Not allowed.	Current accounts of those who overdraw are canceled by resolution of the council of administration.
	Title deeds accepted as collateral for loans.	Not allowed.
the State, including Italian rente, not	Interest-bearing bonds of the Confederation, the Cantons, or foreign countries for temporary investment only; precious metal in bars and coin.	National public securities and others guaranteed by the State.
	Average, 1910, $2,441,000.	December 31, 1908, Government securities, $9,633,291.

	council.	managers of branches, how appointed.
	Discounts are granted provisionally by agents of the bank.	Measure of discretion allowed.
nk; but $\frac{2}{3}$ of capital are	None held by the Government.	**4. RELATIONS TO GOVERNMENT.** Government ownership of stock.
of the bank council and proposal of the council tors of branches.	King appoints governor and deputy governor; besides, a Government commissioner is appointed by the State.	Selection of officials.
ved by Federal Council o publish weekly state-	A statement of condition of the bank and agencies is forwarded every week to the minister of finance and is published in official newspaper.	Frequency and character of reports required.
y Federal Council; the	Government commissioner watches over operations of the bank, has right to examine the books, etc.	Methods and mechanism for government inspection.
cent for the surplus and e Federal Treasury; 1910,	Receives all profits from a discount above $3\frac{1}{2}$ per cent, together with $\frac{1}{4}$ of excess of net profits after payment of 4 per cent dividend to shareholders, and the profit on bills held for the State; all amounted to $892,470 in 1908.	Participation in profits.
	Patent tax on gross volume of business (1908, $43,492), stamp tax on notes (1908, $72,674), tax of $\frac{1}{4}$ of 1 per cent semiannually on excess of circulation above $53,075,000 (1908, $449,096).	Taxation.
	A payment of $44,390 toward expenses of treasury administration in the Provinces.	Other payments required by Government.
	None.	Permanent loans to Government.
	None.	Other loans to Government and their limits.
	Government deposits bear no interest. Treasury funds in excess of requirements of service are invested in commercial securities.	Custody of government funds, with interest paid.
les belonging to Confed- post office, the customs,	Acts as registrar and transfer officer of the national debt; as custodian of bonds given by public officers and of various special funds, including those of the savings bank. Government's deposits above 5,000,000 francs must be invested and profit credited to State.	Further services rendered to Government and payments for same.
	Charter extended in 1900; expires January 1, 1929.	Duration of charter.
7,000; 1910, $21,899,000.	Discounts December 31, 1908, $95,237,450.	**5. DISCOUNTS, LOANS, ETC.** **Discounts:** Average amount, 1910.
	Average size accepted paper $421 and nonaccepted paper $62.	Average and minimum size.
	Average for accepted paper 46 days and for nonaccepted paper 43 days.	Average duration.
	100 days.	Maximum duration allowed.
bills represent business	Merchants, manufacturers, and, under certain conditions, farmers.	For what classes in community.
	3; but commercial bills with 2 signatures may be admitted under certain conditions approved by minister of finance.	Number of signatures required.
	Warehouse receipts, merchandise, or public funds may be pledged in lieu of one signature.	Other security accepted.
heet December 31, 1910.	Loans on public securities, outstanding December 31, 1908, amounted to $9,923,890.	**Loans on collateral:** Average amount, 1910.
	Not stated.	Average and minimum size.
	10 days to 4 months.	Average duration.
	4 months and 1 extension allowed.	Maximum duration allowed.
	Loans on securities to other than merchants are required to be registered at the cost of the borrower at rate of $\frac{3}{10}$ of 1 per cent of the amount of the loan.	For what classes in community.
d; loans of foreign States if quoted, etc.; gold in	National bonds, treasury bonds, and other securities guaranteed by the State.	Kinds of collateral accepted.
t; other Swiss securities,	Securities accepted as collateral for not more than $\frac{4}{5}$ of their current market value.	Proportion of loan to collateral.
	Current accounts of those who overdraw are canceled by resolution of the council of administration.	**Overdrafts.**
	Not allowed.	**Loans on real estate.**
or foreign countries for coin.	National public securities and others guaranteed by the State.	**Securities held:** What kinds allowed.
	December 31, 1908, Government securities, $9,633,291.	Average amount, 1910.