

Bank Inquiry of 1908-9

men required for the position are such as have grown up in the concern and who know something about bills, arbitrage, etc. If you, Herr Gontard, were to step into such a concern and set to work verifying accounts, you would soon find that it was impossible for you to do it.

Mr. GONTARD. I know I am not competent for that.

Doctor WEBER. I will not say that you are incompetent, but it will be impossible for you for the reason that only a practical banker can understand these things. There are so many technical and intricate questions, regarding which only a practical business man can form a judgment, that I believe such examination can be done only by a man who has grown up in the business and who at the age, say, of 40 or 45 is made independent of the management in order to be able to work altogether along the lines recommended by the supervisory council.

Mr. GONTARD. That is just what I mean.

Doctor WEBER. This would be an excellent scheme, and I should be glad to see it gradually adopted by our big concerns.

I need not say more than a few words in regard to the resolution under No. 4, inasmuch as on the occasion of the discussions in the bank-law commission no great value was attached to it and because I can not see that it would lead to any appreciable result, at least in its present ill-adapted form. If we look over the list of bankruptcies—the periodical *Die Bank* has taken the trouble to compile such a list—we find that of all the bankruptcies in the last four years there were only four cases of regular embezzlement. There is, therefore, hardly any

National Monetary Commission

actual basis for this whole resolution, and I attach no importance to it.

To sum up, gentlemen, I wish to say that I consider the enactment of regulations for the management of the banks a most mischievous thing. Such provisions might perhaps already on the morrow become out of date by reason of our whole economic development and the advance in our banking system, for to nothing so much as to our economic existence and in particular to the world of banking does the expression apply, *πάντα ῥεῖ*, things change from day to day.

It is the same thing, gentlemen—I may as well say a few words in regard to this now in order not to have to take the floor again—with the matter of prescribing the form of the bank statement. Supposing we had to-day a scheme according to which the balance sheet would have to be made out, it would be doubly defective from the outset. In the first place, a scheme has been elaborated by the gentlemen who have assumed the rôle of critics—I mean particularly a pupil of Doctor Wagner's, Herr Bernhard—which has been prepared merely with reference to the great banks. This form of statement is not suited at all to the provincial banks, not being adapted to the private bankers nor yet to the small banks like the one, for example, with which I am connected. We know nothing about the thirty-day loans in connection with stock speculation; we have nothing of the sort. Imperial treasury bills are of less importance with us than the matter of loans to our customers. Now, in one of the written opinions, I believe in that of Herr Bernhard, it is suggested that a list be inserted in the bank's report, or

Bank Inquiry of 1908-9

the statement, of the largest debtors—as, for example, in the case of banks having a capital of 1,000,000 marks, those from whom more than 100,000 marks is due—arranged in the order of the amounts. He takes, let us say, a small bank in Mühlheim and puts the matter in this way. Here is a bank with a capital of 1,000,000 marks; there are ten loans exceeding 100,000 marks; the names of the ten parties will have to be published. Suppose you take a balloon and transport yourself to Mühlheim, a city of 10,000 inhabitants, and you will find that a legislative enactment of the kind proposed is going to cause the greatest trouble there. You can afford to do this in Berlin but not in a small provincial town, where everyone is acquainted with every other person's affairs. Exceptionally it might perhaps be rendering a service to the public, but, generally speaking, it would be calculated to bring about such mischief as making everybody in the place lose all faith in the standing of an individual who owes the bank the sum of 100,000 marks, and nowhere—I tell you this as a fact after my many years' experience—does the success of a business concern excite such envy as in a small town. The information thus spread about concerning industrial establishments would cut off their credit completely. It sometimes happens in the case of factories doing a business of a million marks, as well as in the case of small banks like ours, that when an inquiry is made in regard to their credit—such inquiry often coming from petty tradespeople—the answer reads, “Whether he is good for 10,000 marks is doubtful.” When these petty dealers find out that the party in question has a debit of 100,000 marks, a sum that is quite inconceivable for these people, that is the end of his business.

National Monetary Commission

The fixing of a regular form for the balance sheet, if the voluntary action of the great banks in the matter of publication is imitated by the provincial institutions, can not fail to be of advantage. I believe that the public is the best critic and the best overseer of the management of our banking institutions. But the scheme of a balance sheet must not be made uniform for the whole Empire. Anything like that would not work under such varying conditions. You see yourselves, for example, in the domain of the savings institutions that the conditions are entirely different in South Germany from those in Saxony. It would not do, therefore, to prescribe a universally comprehensive scheme. The thing to be done would be to bring about voluntary agreements for the various districts, adapted to the particular needs of each individual district. There would be no sense in comparing the conditions in East Prussia with those in the Rhenish-Westphalian district. The form of statement would have to be altogether different in East Prussia from that required in the Rhine Province and Westphalia or in Bavaria. The first-named district has no manufacturing industry and the last-named but little, while the Rhine Province and Westphalia are altogether manufacturing regions. The scheme laid down for the balance sheet would consequently have to be constructed on a very different basis for each of these districts. I should, therefore, consider it very desirable, as I have said, that the banks go ahead in this matter of giving statements to the public, but in heaven's name let us not ask our legislators to get up a prescribed form of balance sheet, for that would be only mischievous. A further factor that has to be considered in connection

Bank Inquiry of 1908-9

with such a prescribed form is that the conditions in this field change so frequently and so rapidly that a change in the scheme would very soon be rendered necessary. Our commercial and industrial organization can not afford to be treated like our postal system and similar institutions, a treatment that imposes trammels which are bound to be out of date almost immediately. And, moreover, you must not forget, gentlemen, that we have been conducting this inquiry all along from the standpoint of Germans. It might be well for once—let me conclude with this—just to cast a glance at the conditions in other countries in order to appreciate the vast extent of the relations that we have with them. The Deutsche Bank, for example, has a large branch in London. Now, what is to be done with this branch; that is to say, is it to be included in dealing with the scheme of a balance sheet? The Englishman does not care a particle what kind of form we prescribe here for our bank statements. And we must not forget that the world at large, when it sees us constantly taking hold of one thing or another, is bound to become mistrustful in regard to our development. As it is our big concerns afford little scope for ridicule, but we ought to see to it that obstacles are not thrown again and again, for the sake of some political advantage, in the way of our free development—things that do not fit into our economic organization and which, even if they might be capable of being introduced into our administrative offices (which perhaps would often be the worse off for them) must absolutely not be permitted to find their way into the business of a nation that changes

National Monetary Commission

from day to day and which is called upon not merely to exert its activities in Germany, but above all things to promote the relations of Germany with the rest of the world. [Applause.]

Mr. SCHINCKEL. Gentlemen, I must first of all express my views with reference to what is under II: The enactment of regulations relative to the taking, management, and investment of deposits and savings. After my previous utterances you will certainly not expect anything else from me than the expression of my unqualified opposition to legislative regulations and measures. As I have already stated, I not only can not see any use in such legislative provisions, but, on the contrary, I even fear very serious harm to our entire national economy in case we have recourse to such means, and in order to demonstrate this mischief to you I must beg you to allow me to advert briefly to a matter that came up in our discussion yesterday.

Doctor Wagner favored us yesterday, for a second time, with a most interesting discourse. I wish to tell you right at the start that I think the tenor of his words was much more moderate yesterday than the day before, although he did not fail to dwell once more upon his favorite word "plutocratism," a word which he has managed to invest—whether this is not merely my personal feeling about it I can not say—with a singularly repulsive expression. He would have us believe that a bank manager is a born plutocrat. Well, of course, he may be that in so far as the stuff he deals in is gold, this nasty gold, which is looked upon, especially by those who haven't got any and who would like to have more of it, with a good deal of contempt. [Laughter.] But let me

Bank Inquiry of 1908-9

add right now that even with millionaires money does not always constitute the greatest boon that life can offer, as our men of science are apt to assume. Nothing can relieve the bank manager from the charge that he deals in money, but even at the previous session of the commission I could not help wondering at the speeches delivered by Doctor Wagner on the subject of plutocratism. I can not see how we in our bank inquiry can get around discussing this subject that is so closely connected with money. It appears queer to me, too, that a disciple of Wagner's should have selected "Plutus" as the title of his periodical. [Laughter.] No, I shall not let this plutocratism offend me any longer. I am glad to get this designation into the bargain. At any rate, it is not going to spoil the pleasure I have in my calling.

What I did, however, take to heart was the doctrine which yesterday again pervaded Wagner's address—and it is not Exzellenz Wagner who can propound such doctrines; it can only be Professor Wagner [laughter]—the doctrine of restriction of production. With the acuteness of intellect to which, in spite of his age, I am willing to certify, Doctor Wagner has conceived the notion that there must be a restriction of production and, above all, in the matter of the begetting of offspring. This was, perhaps, treated at first as though it were a joke, and yet, gentlemen, this is such a serious matter that I am unable—I beg you will not take it ill of me—to shake off my anxiety in regard to this teaching.

This theory, gentlemen, which is gaining ground more rapidly and is being adopted more widely in the neighboring countries than is the case in our own country, where

National Monetary Commission

unfortunately it has also begun to assert itself, this unhal-
lowed theory of a family limited to one or two children, I
regard—I must frankly declare—as abominable from the
standpoint of morals and as pernicious from the standpoint
of political economy. [“Very true.”] I even consider it
un-German and I think it deplorable with respect to our
country’s interests that teachers of acknowledged reputa-
tion should be contributing in the least, directly or indi-
rectly, to the spread of such a doctrine. I arraign and I
pity a nation which is willing to be the instrument of its
own decadence. [“Very true.”]

Doctor Wagner spoke of the breeding of millionaires.
To judge from some incidental remarks that he has dropped
he would have us understand now that he did not mean to
say exactly that he deplores the breeding of these million-
aires. That is the only impression I could get from his
address, and I must say that we have not had such bad
experience with our millionaires in Hamburg. We folks
in Hamburg, as a matter of fact, are always glad to see the
number of our millionaires expanding.

A VOICE. More badly needed elsewhere.

Mr. SCHINCKEL. For the present, I just wish to speak
of Hamburg, and what is true of Hamburg I hope is true
of the rest of the country. We in Hamburg find that these
gentlemen are by no means given up to idleness and that
they are not at all the people who indulge in that extrava-
gant living which I condemn as much as Doctor Wagner.
We find that they keep on working and make the money
which they have earned do work in their business. What
has all along made the greatness of Hamburg is that its
inhabitants have never had the time to run after show and

Bank Inquiry of 1908-9

that its wealthy men, impelled by an acquisitiveness which Doctor Wagner characterizes as immoderate, have allowed their money to go on working for them. And there is this to be said—that is what brings me to my point—that the very theory which Doctor Wagner is combating has been remarkably justified in the case of Hamburg. If you look at the men of wealth in Hamburg, you will discover that there is not the faintest idea of such a thing as the rolling up of big fortunes in the way it is being done in the United States. There may be one man who has as much as twenty millions, but what becomes of them? Thank God, it is still the custom in Hamburg to allow one's self the most precious of all luxuries, to wit, a big family. [Laughter.] And the result is that the money is divided up again into innumerable parts, some of it being still put to productive uses, but the greater part of it very soon getting back into the circulation. This is a principle, gentlemen, that I wish to see upheld not only for the sake of Hamburg but for that of our entire country.

Doctor Wagner asserted that the great banks have been favoring——

A VOICE. Favoring?

Mr. SCHINCKEL. Well, encouraging—usury in connection with the land. This may occur here and there. I must call your attention to the fact that the statutes of the banks with which I am connected provide that no real estate whatever is to be acquired except what is needed for the use of the concern. It is, moreover, a well-known fact that in by far the greater number of cases the banks that are engaged in the business of loaning money on real estate, that is to say, the mortgage banks,

National Monetary Commission

are the very ones that loan money on building lots, and everybody knows, furthermore, that with few exceptions it is not the banks that advance money for building operations and the like. I may as well mention that the tax on the increment has had the effect of diminishing this evil of usury in connection with mortgages while producing more or less revenue for the Government.

Doctor Wagner declared, and I should like particularly to revert to this matter, that in the event of war the banking world, or at least the world of private banks, would suffer a collapse. I must, however, point to the fact that this was not even approximately the case at the time of the last war. When war broke out in 1870 we had no Reichsbank yet in Hamburg to which recourse might be had, but the Hamburg banks, thanks to their liquid surpluses and the confidence which they enjoyed, gave absolutely no reason for any apprehension that they might collapse. It was they, on the contrary, that made the largest subscriptions to the war loan. I regard such an assertion, therefore, as based on nothing.

Much stress is laid on the circumstance that a bank at a time of crisis had to fall back upon the Reichsbank to the extent, as is supposed, of 60,000,000 marks. This is represented as something awful. Gentlemen, what is 60,000,000 marks by the side of the fact that not longer ago than the autumn of this year the Imperial Government had to call upon the Reichsbank at the most inopportune moment for several hundred millions? These are things that the Reichsbank has got to put up with.

Herr Singer assailed violently what Count Kanitz said, with my approbation, in regard to the excessive burdens

Bank Inquiry of 1908-9

imposed by governmental action for social welfare. He wanted us to understand how little, reckoned in pfennigs, such social burdens amounted to per capita of the population. The example adduced was certainly a very seductive one, but alongside of that I have another which affords a much more precise indication of the truth of what we were saying. The United Königsberg and Laura Works have, according to their published reports, been paying out every year in the way of obligatory and voluntary expenditures for the benefit of their employees, a sum exceeding 3,000,000 marks, that is to say, more than they have at any time paid out in dividends in a single year, and now something has happened that will rejoice the heart of Doctor Wagner. The dividends of the United Königsberg and Laura Works have come down from 10 to 4 per cent. Formerly one might say that, with dividends ranging between 10 and 11 per cent, it was no crushing burden, but when dividends are 4 per cent the thing begins to press like a pretty heavy load, and if you go to-day to the city of Königsberg, whose population is largely made up of people employed in the works, you will find that the inhabitants are greatly troubled on account of the falling off of the revenue from taxes and the likelihood that the Königsberg and Laura Works will no longer be in a position to provide for their benevolent undertakings as generously as heretofore. This goes to show that the imposition of excessive burdens in the way of compulsory provision for social needs may actually become a serious handicap for our industries. It goes without saying, gentlemen, that not one of us thinks of deploring the fact that industry is active in the field

National Monetary Commission

of social betterment, and as long as such activity is kept within proper bounds, no one will object to its continuance.

My countryman from Hamburg, Herr Raab, has repeatedly said that he considers foreign trade and exportation to foreign countries a dangerous card. I am indignant every time I hear this from the mouth of a Hamburger, for Herr Raab must have learned in Hamburg that Hamburg has from the beginning become great and powerful and prosperous only through its maritime trade. There are people, of course, who are afraid on the water, but we all know that *navigare necesse est*, and thank heaven there are still people who are ready to go into it, for unless you risk something you will accomplish nothing. I must say that not only Hamburg but our whole German Empire owes a vast deal to our foreign trade and the commerce of our seaports, among other things our "share of the sunshine," the colonies, and all that at present contributes toward the support of our population—let us hope in an increasing measure—by means of its own native products.

How mischievous may be the influence of laws not enforced has been shown in the case of the law relative to the Bourse. For, as a matter of fact, gentlemen, the government commissary and the detailed prospectuses are not the only thing that remains of the Bourse law. What has above all been left of the Bourse law is the notion spread broadcast among the public, hitherto quite innocent of it, that one is not legally bound to fulfill one's obligations. That is something unfortunately which no revision of the Bourse law can ever get out of people's

Bank Inquiry of 1908-9

minds. In the domain of practical matters the Bourse law has left us a legacy in the swarm of brokers who rejoice our hearts with foreign speculative securities and who bring more foreign securities into Germany and into the possession of Germans than are enumerated in the statistics of stock and bond issues published by the Reichsbank, and finally it is to the Bourse law that we are indebted for that excessive concentration of business in the great banks which I as well as others deplore. These are evils which when once introduced could not be removed by the amended law, being evils that do not admit of a remedy. For you can not ask, for instance, that the great banks which have become altogether too big to suit my taste—a tendency it was impossible for them to escape—shall split up again into smaller ones.

As regards the next thing on the question sheet, we have to deal with the matter of a prescribed cash reserve. I can not see any use either in the accumulation of a cash reserve in the bank's treasury or of a compulsory credit balance at the Reichsbank. Just try to imagine for a moment the position in which a credit bank would thereby be placed. For the sum, gentlemen, that you are obliged to set aside from your ordinary funds and keep in the Reichsbank represents an equivalent amount added to the demands upon the Reichsbank, inasmuch as these very resources could otherwise have been made use of by the banks to meet the demands of the country in the matter of credit. But should it happen—and under certain circumstances this must occur—that a bank is compelled to have recourse to this compulsory reserve, the

National Monetary Commission

obligatory credit balance at the Reichsbank would mean at once an increased demand upon the Reichsbank until the time when the bank that has withdrawn its balance is in a position to meet the general demand for credit by means of the money thus released. I believe, therefore, that no advantage would be derived from this proposition.

I consider the keeping of an adequate stock of bills and other liquid resources a bank's prime duty, which does not need to be impressed upon it by legislative enactments. I have already stated that we have always looked upon bills of exchange as the soundest investment.

A word now concerning the investment in securities. The views held by the great banks in regard to such investments has undergone a slight change. In the early period of my career a bank statement was supposed to look well if it could show an investment of this sort. When later on we entered into a combination with the Discontogesellschaft and referred with pride to our securities, the old Hanseman, an authority in this field, exclaimed: "Just sell them as soon as you can. I absolutely can not see why you should be anxious to burden your statement with them. For us bankers securities are the wares in which we deal. We try to turn them over as frequently as possible and you are going to get stuck with them often enough. The whole thing strikes me very much as though a dealer in cloth were to say, 'No, I am not going to sell this pretty cloth; it is too nice and I think I had better put it away.'" Well, we have had our experience, too, and we have been stuck often enough, especially with Prussian and imperial obligations. [Laughter.]

Bank Inquiry of 1908-9

Now, a bank manager has to overcome a feeling of repugnance in order to introduce in the statement of his bank things that in a certain sense seem to work the wrong way. He was heretofore taught to believe that a large stock of securities would be set down as an evidence of lack of fluidity and that he would do better to have more bills in his portfolio. I admit that securities are of great importance with reference to the contingency of war. You may see from this what a change takes place every ten years or so in the notions regarding fluidity and unfluidity and the expediency and in expediency of investments. Would it not be much more natural and effective to have the banks made cognizant of these things through the agency of those who are experts in their field, such as the managers of the Reichsbank? And I wish to say right here that the educatory factor which consists in the circumstance that one bank or another—it need not be more than one at the start—is going to listen to such an admonition is a very big factor. If the Deutsche Bank and the Discontogesellschaft were to come out to-day in their statement, because it is considered the proper thing, with a goodly amount of securities available as collateral, the other banks would soon follow suit and say, "Well, this seems nowadays to be something that is expected in a good statement, and so we had better get a supply ["Very true"] else we shall not be considered altogether up to the mark." ["Very true."] Whether this stock of securities shall be part of the surplus is a merely formal matter. Of course the bank would always do well to say that this or that part of its surplus or the whole—as will gradually develop, it

National Monetary Commission

being impossible to arrange these things from one day to another—is invested in government securities available as collateral.

Under No. 3 there is the question regarding the deposit in the Reichsbank of a certain percentage of the outside moneys. I have already spoken about this. I consider it altogether impracticable; it would cause a revolution in the entire banking system. I should have supposed also that already at the last session of the bank inquiry commission the question of the creation of governmental deposit institutions or the assumption by the Reichsbank of the business of taking interest-bearing deposits had been disposed of. On that occasion I expressed my humble opinion to the effect that I should consider it an unnecessary burden for the Reichsbank if it were obliged to take interest-bearing deposits. It would mean that at a time of crisis there would be an additional way of making demands upon the Reichsbank. But there are other reasons, which have already been adduced to-day. I should regret exceedingly if it were proposed to cut off the inflow into the savings institutions by letting the Reichsbank or other state institutions take deposits under the guaranty, to a certain extent, of the imperial government. On the contrary, I should urge that the savings institutions be strengthened in every way and guarded against attacks that are every now and then made upon them.

In regard to the creation of a supervisory bureau for the banking system, I shall express myself very briefly. I believe it is adequately characterized in the document handed in by Freiherr von Wangenheim. [Very true. Laughter.] Yes, I am in earnest. It shows you what the

Bank Inquiry of 1908-9

public—and I include in it at this moment Herr von Wangenheim, a member of our inquiry commission, who has not been present in order to hear what others had to say—in a general way expects from such a supervisory bureau. It expects it to prevent crises. Yes, I should also like to see a way of stopping these violent ups and downs. It is anything but a pleasure to be a bank manager when a crisis comes along. But I am of opinion that a certain “up and down” is absolutely required in our national economy. What would be the end of it if we could always see everything sailing along nicely before the wind and stay at home in our cosy quarters, cutting off our coupons, and were no longer obliged to bother ourselves over much in the banking business? [Laughter.] No, gentlemen, we need an occasional crisis; we must have ups and downs every now and then. I am sure it is a splendid lesson when we have once got through a crisis. It gives a sharp edge to our experience, and I am speaking from my personal experience. I shall, therefore, drop this matter of a supervisory bureau.

I shall just say a few words with reference to Herr Roland-Lücke's suggestion in regard to the creation of an advisory commission. On the whole, it appeals to me very strongly, but only in so far as it does not partake in the least of the idea of a supervisory bureau. It goes without saying that such a thing would be impossible. Otherwise it would be hard, I believe, to find anyone who would care to be a member of such a commission. No, that is out of the question. But I can readily see that the great tasks which the Reichsbank has assumed could be facilitated by the advisory council which it would

National Monetary Commission

have in such a commission. I need say nothing more about this, as you have already gathered from what I have said how much importance I attach to the exercise of a certain supervisory activity on the part of the Reichsbank. I realize, of course, that there are manifold ways in which such a commission might be active. We had better not discuss the matter of the bank statements at present, nor do I wish to take up your time to-day. I hope I shall have an opportunity to return to the subject later on. I may say, however, that I believe the commission would render an excellent service as a bureau for taking charge of the intermediate statements to be submitted by the banks. I agree with Herr Roland-Lücke that it would be altogether unnecessary, too expensive, and, indeed, meaningless to have the great mass of intermediate statements appear every two months in the newspapers. Let them be hung up, and let everybody who is interested be enabled to obtain a copy. This much ought, of course, to be required. But then there must be some supervising organ to see to it that these intermediate statements are prepared and made available for statistical tabulation. I should consider this commission a very good intermediary. It might, perhaps, with the assistance of the statistical department of the Reichsbank, undertake the collating of the intermediate statements, which, after having been examined by the commission, could be quietly submitted to the public and to expert scrutiny, just as these statistical tables have been submitted to us to-day. But, as I said at our first sitting, statistics are a very dangerous field, especially when, proceeding from actual figures, they lose themselves in estimates. There is no use in my going

B a n k I n q u i r y o f 1 9 0 8 - 9

further into the matter. I shall take the liberty later on of handing to our president the statistical tables which I have revised, and I must say that, to my great regret, what was feared has happened in the case of the statistics before us. There are a great many more errors in them than I myself suspected—actual errors; not mistakes in estimates. These are errors which I believe everyone who has much to do with issues of securities will recognize at a glance, but in regard to which I must say, however, that the direktorium of the Reichsbank has something else to think about and has not so much to do with the flotation of foreign loans as to be able to exercise an immediate oversight in these matters. I should, consequently, consider it of the greatest advantage if, for example, such statistical material relative to the activity of the banks were to be submitted to the members of this commission, who would examine them once more before publication, supplementing and correcting them or making needed comments, according as the necessity will manifest itself in course of time. I merely wish to hint that there would be all kinds of useful work for this commission to do without our imposing upon it the great responsibility that would attach to a bureau of supervision dealing with these thousands of banks. The whole thing would have to be organized from the start in such a way as to preclude this altogether. That is something that even the Reichsbank can not undertake.

But if I may be permitted to say a word in regard to the other measures, let me add that everyone of us who is engaged in the business of banking knows what a great influence the Reichsbank can exert in this respect. And

National Monetary Commission

when it finds that it is necessary to interfere, when it is persuaded that it can not allow things to go any further, the Reichsbank has the power to restrain the offender. It is not only able to exercise this power by refusing to discount his bills, but it is not bound any longer to take his acceptances. You are all aware that, as it is, we have to keep a compulsory credit balance at the Reichsbank, and so, if it sees fit, the Reichsbank can increase the amount of this credit balance. It has still another means in the personal intercourse of the managers of the main branches with the public. In short, when it is generally understood that such and such a thing ought to be done and that the banks have a right to insist on its being done, I am convinced it can be accomplished without recourse to legislation by means of the influence of the Reichsbank.

Mr. PETER. In the course of the general discussion of the question I have stated that I do not consider it desirable to provide for the security and fluidity of deposits and savings by means of legislation. Such regulations, gentlemen, seem to me useless and mischievous. I regard them as impracticable for the reason, as I have already explained, that there appears to be no way of separating the outside moneys into savings, deposits, and account-current funds. I shall content myself with brief answers to the questions submitted to us.

In regard to the matter of limiting the aggregate of deposits that each individual banking institution can take, I must declare that I should consider it very detrimental to the credit business. The result would be that credit would be dearer, which would prove a serious burden to business men of small means. For if the

Bank Inquiry of 1908-9

restriction of the taking of deposits should have the effect of raising the rate of interest—and it would be bound to affect the debtor in this way—it goes without saying that the rise in the rate of interest would be felt most by the weakest portion of the business community.

With respect to the limitation of the aggregate of deposits, I should let the matter rest at what has already been done in this direction. As regards the *Genossenschaften*, I wish to call your attention to the fact that there is already a restriction in their case. Paragraph 43 of the law relative to *Genossenschaften* provides that the general assembly shall fix the maximum amount of the loans and savings for which the association is liable. In what concerns the savings institutions no one would think of restricting the aggregate of deposits.

I am persuaded that any provisions regarding the separate management of deposits and savings and the preferred claims of creditors having deposits or savings would practically not be feasible, as I can not imagine how a preferred claim in a case of bankruptcy could be enforced.

In regard to the matter of a prescribed cash reserve, I concur in what my colleague, Direktor Schinckel, has expressed in eloquent words, "investment in bills and other liquid resources;" that is something, gentlemen, that is already frequently done in banking practice. I, for my part, at least, have always made it a point to keep a stock of bills corresponding to our demand liabilities, and I have, moreover, urged the *Genossenschaften* with which I have had business to adopt the same policy. As for the investment in government bonds and similar securities, I consider it, of course, a good thing, and would

National Monetary Commission

recommend keeping a large stock of them. I consider them especially desirable with reference to the investment of the legally prescribed surplus. It has been objected that this is not an easy matter by reason of the fact that the holders of government securities have not fared well the last few years. If in the fresh issues of German government securities we were to proceed at a somewhat less rapid rate, so that there might be a better market for such securities, the managers of our cooperative credit associations would be enabled to adopt the policy in question in an increasing measure and to give greater scope again to the investment in government bonds and the like.

We come now to "other kinds of measures." Under (a) there is the question regarding the deposit of a certain percentage of the outside moneys with the Reichsbank. I must say that I should not anticipate any result worth mentioning from this, and, moreover, I consider it impracticable. I am unqualifiedly opposed to the creation of governmental deposit institutions. I fear that injury would result therefrom, not so much to the banks, and, in particular, the great banks, as to the local institutions from which the money would be withdrawn that is required for the discharge of their economic functions. Nor do I share the wish expressed yesterday by Herr Roland-Lücke that the post-check system might develop into a postal savings system.

Mr. ROLAND-LÜCKE.—I did not express such a wish.

Mr. PETER. Then it was a misunderstanding on my part. The desire is frequently expressed that certain sections of the population ought to be afforded an opportunity

B a n k I n q u i r y o f 1 9 0 8 - 9

of setting aside their savings. It seems to me, however, that such opportunity is afforded in the country districts by our savings institutions and by the rural credit associations. The post-check system would in my opinion admit of further development if the work of reckoning up the charges could be made less expensive and less complicated.

I have already expressed my opposition to the assumption by the Reichsbank of the business of taking interest-bearing deposits in connection with Question IV. I should consider it a disadvantage if, in addition to its great function of acting as the guardian of our gold, the Reichsbank were to be obliged to provide, as a credit bank, for the placing of these deposits.

In regard to a bureau of supervision for the banks, I believe it would be a very dangerous thing for the Empire, as I feel sure that such a bureau can by no means undertake to guarantee against losses. I should consider it mischievous, inasmuch as it would have the effect of making people at times careless about making sure that the institution to which they want to intrust their deposits is sufficiently safe. The Genossenschaften have, as a matter of fact, a certain supervisory institution in the legally prescribed examination to which they have to submit. The law provides that every such cooperative credit association must, every two years, allow its affairs to be examined by an inspector not belonging to the association. The unions of associations are invested with authority to appoint inspectors. Now, gentlemen, my experience tells me that this system of inspection has been working to the advantage of the associations. But then these examina-

National Monetary Commission

tions, which in the nature of things can not extend to an investigation into the character of the assets, has not prevented the occurrence of losses through dishonest manipulation, unsound investments, or bad debts.

As regards the savings institutions, they are, of course, under the supervision of the state governments. It is my opinion that a revision of the regulations in certain respects through administrative agencies is necessary. But you see, gentlemen, we have an organ which is preeminently adapted for carrying out along practical lines all that a supervisory bureau could possibly be expected to undertake, and that is the Reichsbank. What the Reichsbank is capable of accomplishing for the whole German bank organization and the maintenance of our credit system on a sound basis through timely admonition and, if need be, through energetic interference, has been so splendidly set forth by Doctor Ströll and Herr Roland-Lücke that I must express my unqualified concurrence with them, having nothing to add to what they have said. I believe it would be a good thing if special stress were laid upon this view of the matter.

I consider Herr Roland-Lücke's suggestion in regard to a bank commission a very happy idea, which, if transmuted to action, would give the public a feeling of security and could not fail to be beneficial to our whole economic life. For we shall find men who will combine the tact and, if need be, the energy required for a rather difficult office with the necessary knowledge of pertinent conditions. Let us hope, therefore, that where improvement is needed the correction will be made and that the work of the commission will serve to promote the healthy development of

Bank Inquiry of 1908-9

our credit system and make the task of the Reichsbank easier.

Doctor WAGNER. I had no intention whatever, gentlemen, of taking the floor again to-day with the result, perhaps, of eliciting fresh contradiction. But I have been quite personally assailed by Geheimrat Riesser and several other gentlemen who have been speaking, and so I am compelled to make a rejoinder. I shall be as brief as possible with respect to the general questions and the individual points likewise, but I can not let the general questions go entirely, inasmuch as the attacks have been leveled against me particularly on account of certain utterances of mine in connection with them. This much by way of introduction.

I shall first reply to Direktor Mommsen. He has brought the charge against me that in asking for a bureau which is above all to be a sort of supervisory authority I have shown a lack of confidence in bank managers and the other gentlemen of the banking world which is insulting. I can only say that nothing was further from my thoughts, and I believe, moreover, that this is implied neither in my words nor in the contents and tenor of my statements. I feel like retorting in a like strain: Gentlemen, how do *you* talk of the government officials? What you say hits a good many of them. You frequently represent them as people who have very inadequate knowledge of economics and, in particular, of your banking affairs [exclamations of protest] and who are altogether too little in touch with things. You intimate that they are, on the whole, at best of mediocre intelligence, persons from whom one can not expect that they could actually

National Monetary Commission

discharge the functions of an office like that of a member of the supervisory bureau in a respectable fashion. That might be taken as an insult, too. [Very true.]

All I have done was merely to refer to a certain weakness. For the gentlemen of the banking world will not deny it—and Herr Schinckel specifically affirmed it—that they carry on the banking business mainly for the sake of gain. There is no reproach in that. Banking is a business in which people engage in order to make money. But in doing this—you can not gainsay it—you are interested in your capacity as officials and interested, too, on account of your superiors, the shareholders. You would like to go on increasing the dividends. You say you do not care to do it beyond a certain point; but, all the same, you would like to make them as large as possible. The bank which in this respect has the best showing is regarded as the most important. This is a glory that in general redounds to the managers of the bank. I dwelt yesterday with perfect justice upon the fact that in this way you often not only make large profits but make your property go up in value by reason of the great rise in the market price of the shares. When bank stock has gone up above 200 and beyond it means an immense advance in the value of the holder's property. Of course that is what you are there for. Consequently, when attention is called to the fact that money considerations play a part in these things, there is nothing whatever to take offense at, and I must say I consider this an exhibition of super-sensitiveness. Every official has the same right to be offended.

Doctor MOMMSEN. A *censorial* supervisory bureau.

Bank Inquiry of 1908-9

Doctor WAGNER. I expressly laid stress on this. I said that, for instance, the statements ought to be supervised in order to ascertain whether they agree with the facts. Everybody has to put up with this. I may remind you that this is the case with our tax declarations. They are not accepted pure and simple on their face as a correct basis for the tax levy. Everybody must put up with the necessity of having his declaration verified. It once happened—and I have not heard this as an anecdote, but as something that actually took place—that a gentleman in one of our eastern provinces exclaimed: “If anybody in any way takes exception to my declaration, there is but one answer, and that is my revolver.” This is, indeed, a terribly extravagant performance. Everyone has got to submit to having his declaration verified.

But there is something besides that I meant to say in speaking of a supervisory bureau with censorial authority. I thought in a general way that such a bureau (it might be a commission, such, as I am told, Herr Roland-Lücke suggested at yesterday’s meeting, which unfortunately I could not attend—a commission of experts or the like) might have an eye on what was going on and be ready to speak out when necessary. It might, for instance, call a bank to account by asking it point-blank whether it would not do well to strengthen its reserves, or to see to it that its assets are more liquid, or to keep a larger balance with the Reichsbank, or not to stake too much on one card.

It is in this sense that I was speaking of censorial authority in contradistinction to what I should designate as a positive exercise of authority on the part of the supervisory bureau expressed in such action as prescribing that

National Monetary Commission

such and such a thing may be done or that it may not be done. This is not what I had in mind, and I even added yesterday that the bank might have the right to appeal to a board of arbitration or to a court of appeal. Judging from what I have heard in to-day's discussion about Herr Roland-Lücke's proposition it would probably not differ so very greatly from my idea of the functions of a censorial supervisory bureau. I believe the distinction is not as great as has been represented.

Allow me to proceed. Herr Mommsen and several other members, in particular Herr Schinckel, objected to what I had to say about the "breeding of millionaires," about plutocracy, and, lastly, about the possibility of retarding the rate of increase in the population. As regards the "breeding of millionaires," I am willing to admit, gentlemen, that it is a rather strong expression. No charge was, however, intended in this, either against individuals or against banks. What I had in mind was our entire economic development, which in my opinion favors our banks unduly. The trend of this whole development is such that our economic régime tends to increase the fortunes and incomes of a small upper stratum of the population. It is true that the lower strata, and especially the laboring classes, are likewise advancing, but yet these classes, and still more the middle strata, are dropping behind more and more relatively to the upper strata, and it is the relative and not the absolute that is the essential thing. I tried to show yesterday that while the impoverishment theory of Marx is certainly false the fact remains that the great mass of the workingmen, taking the aggregate of their incomes, although the individual incomes have risen,

Bank Inquiry of 1908-9

have not secured such a rapidly increasing share of the increment to the nation's wealth as the small stratum of the very rich. The teachings of Marx are decidedly erroneous, too, when they tell us that the tendency of our economic development is such that a steadily diminishing number of people get to be very rich. No, what is characteristic in this development is that from the midst of the ever growing number of rich people there springs a class (of course a small class altogether) of very rich people and—this is the essential thing—while fifty years ago (I have to content myself with estimates as I haven't got the precise figures in my head) an upper stratum, those who we say have an income of at least 100,000 marks, had barely 1 or 2 per cent of the aggregate national income, at the present time these very rich people, as we may call them, probably own at least from 8 to 10 per cent, or even more, of the entire income and wealth of the nation. This is a very serious matter. We have here a more unfavorable distribution of the whole national wealth, the whole property of the people, the entire national income, or whatever you choose to call it. This is the new moneyed aristocracy that we see arising here, and this class is being favored by our modern economic development.

Doctor Mommsen asserted that the salaries paid to bank managers were by no means particularly large and that they could be paid only by reason of the large sums of money that were invested in the concerns. He declared that it was just as it should be. Well, gentlemen, I fully appreciate the work of these men, and you ought to have sufficient confidence in a theorist to take it for granted

National Monetary Commission

that he does not in any way underestimate the importance of their services. The question remains, however, as to whether these men do not, in spite of all, receive a disproportionately high remuneration, and this can be the case only by reason of their having to manage such a large capital, from which they know how to extract these big profits. But, gentlemen, the bank officials are, after all, officials, and a comparison with our government officials is, therefore, in order. Now let me tell you that when a man like the Imperial Chancellor, Prince Bismarck, to whom we are much more indebted with respect to our economic development than to all our bank managers and business men put together—for it was he who won for us our world-wide prestige, which has served as the foundation for everything else—received during the most telling years of his activity a salary of 50,000 marks (that is what it was), which is quite little relatively to the salaries of bank presidents, all we can say is that those, too, are services that count for something. But the fact is that there are a number of other people who derive their big incomes mainly from the possession of capital and like sources. It is this development which, I maintain, we ought to regard as dangerous. And we can not shut our eyes ourselves to the fact that the further this development proceeds—there is no denying its progress—the more marked will be the class distinctions. There is no use in going up to a workingman and telling him, “You are not getting on so very poorly; you are faring much better than your ancestors fared.” He will answer you, “That is all right, but how are you getting on alongside of me?” And if Herr Schinckel chose to say something about

Bank Inquiry of 1908-9

the "simple life" in Hamburg, with which I am also familiar—I was teaching there a couple of years, having come from Vienna, where I had been getting different impressions, especially in financial circles—all I have to say is that I have due respect for the Hamburg merchant who goes forth into the world as a young man and who has, indeed, done much for Germany. All this I will not deny. But there are other parts of the world where relatively great simplicity prevails among the rich. I need only remind you of Switzerland, where there is certainly a good deal of wealth. But what is so bad in the matter of rapidly acquired wealth is that extravagance and display come with it as something inseparable from it, and especially that extravagance among women, which, I must say, has something ostentatiously repulsive about it. I need only speak of the extravagance in the matter of hats. One day, as I was riding on the railway, I heard a lady say to another, "Oh, this cost only 600 marks." I tell you, gentlemen, these "only" 600 marks lay for a while in my critical stomach. [Laughter.] For I could not help saying to myself, "Suppose a workingman were to hear this, whose wages for a whole year amount perhaps to 1,800 marks—and such a workingman is doing pretty well—and who, therefore, in the course of four months' hard work just earns as much as this one hat cost, what sort of a sensation will such a man experience? These things are worth pondering on. These are dangerous symptoms that are actually manifesting themselves. It is in this sense that I am warning you against our plutocratic development. And when we see in addition how the middle classes are getting worse and worse off, how by reason of the recent

National Monetary Commission

development of the big stores, which is connected with the activity of the banks, a very considerable part of the small tradespeople and even of the better class of dealers are ruined and put out of business, and how these big stores introduce needlessly luxurious facilities in the matter of making purchases—this is all part of the same thing—there is reason enough for my sticking to what I said in regard to plutocracy and extravagance. I do not believe, I repeat it, that anyone can maintain that the millionaire—or, as is now the fashion to say, the billionaire—is as such a desirable or beneficial thing for society and our whole national economy. Of course, we need large accumulations of capital and means must be found of furnishing such capital for certain objects, for public undertakings, for the needs of the State, and for municipal purposes. We have, besides, created the joint-stock companies, but then the stockholders ought not to belong exclusively to the richest classes. It would certainly be a good thing if the middle classes could have a larger share in these concerns.

A VOICE. That is the case.

DOCTOR WAGNER. There ought to be a greater distribution of income and wealth from above downward. It is just the other way, as in the case of lotteries where there are a few large prizes. What we need is governmental action tending in the opposite direction. We do not want this welding together of big concerns. That is an unhealthy process, one that is characteristic of our whole economic life, and it is there that the danger lies. That this is bound up with the development of our banking system there is no denying, for the banks must aid

Bank Inquiry of 1908-9

directly and indirectly in the process. They are themselves more or less involved in it. But you see, gentlemen, it is a matter here of the rate at which things are to be allowed to proceed. Taking it all in all, it appears to me that we differ not so much with respect to fundamental principles—they may occasionally come into play—as with respect to what we regard as the proper rate for a sound economic development. I hold that the rate of development is too rapid and that the wealth and incomes among the upper classes are increasing too fast, and to this excessive rate the development of our banking system contributes materially.

This brings me back to the matter that Count Kanitz brought up a little while ago. You keep saying, gentlemen, that we have got to have such an immense importation from abroad. I am willing to admit this up to a certain point. On the other hand, however—and to this extent my standpoint is that of the agrarians—we ought not to follow altogether the example of the English, producing only 10 per cent of our breadstuffs ourselves and importing 90 per cent. This is not a matter that concerns the agrarians only; it is something that concerns our entire people and our whole national economy. ["Very true."] Our whole development will tend more and more in this direction if we are going to follow altogether in the footsteps of the English. And even if I have been reading to-day, for instance, that a prominent member of this commission and of the business community of this city has been standing up for free trade, I will say, all the same, that we here can not have free trade because it is going to plunge us into English

National Monetary Commission

conditions. And you have got to consider the question as to whether we can reckon on this export system as a permanent thing. Count Kanitz and others have rightly dwelt upon the prospect of further increases in the tariff of the United States and the agitation in favor of protection in England itself. We can not take it ill of the English if they, too, go over to protection. And is not imperialism in itself a warning? It means that the English are to allow themselves to be dislodged from their position. I can imagine that they rather rebel against it. Now, when we see that this development is proceeding with us at such a feverish pace, a development from an agrarian to an industrial country, the necessity and wholesomeness of which I do not deny, I think it is but right to sound signals of warning. Things can not be permitted to proceed in this unrestricted fashion.

It is from this standpoint, gentlemen, that I have now (just as I have done before) drawn the problem of population into our discussion. People always look at the matter simply as though the rapid increase in our population were purely an absolutely necessary natural process. Now, is it not a fact, gentlemen, that the number of children varies greatly in the different sections of Germany according to the habits of the people? And is it a desirable condition when such a large percentage of the children are carried off so soon after they are born? Is that a healthy way of dealing with the matter of population which, for example, lets nearly half the children in certain parts of Germany die before they are a year old? No, gentlemen, this is shameful, and for me "un-aesthetic" and "abominable," to use the words of Herr

B a n k I n q u i r y o f 1 9 0 8 - 9

Schinckel. These are things to be worried about. We in this country are not proposing to ourselves a system of two children and no more. I said nothing whatever about that and I was not even thinking of it. Neither do we propose to be guided by the notion that having six, eight, or more children is the real salvation of the country. A nation, inasmuch as it is not the only one in the world and as the earth is already occupied, can not allow its population to go on increasing forever at such a rapid rate, a rate which entails this forced export system. Having this in mind, one may verily be permitted to say that the reproach of "immorality" and "abomination," or whatever other expressions you choose that are at once heaped upon one's head, is by no means justified and that the excessive increase in the population ought really to cause us anxiety.

But in the opinion of the public at large such an increase in population is always a blessing. No, a moderate rate of increase is in reality the right thing for the country and for the people, if for no other reasons, on account of the density of the population in Germany. The density is greater by 25 per cent than it is in France, which is much more highly favored by nature and which is economically and politically on a firmer basis. A people that has such a dense population as ours will have to ask itself—and the business world will have to put the question to itself likewise—whether it is after all such a splendid thing to have the population increase so rapidly. I do not consider it right. I have been requested individually by several persons to come back to this subject and that is why I am referring to it now. With reference to our special question this is, of course, altogether an

National Monetary Commission

incidental matter. But a country that has just such resources as Germany and is economically so situated as Germany can not permanently allow such a growth of its population. The whole thing has nothing to do with "immorality." I wish I could just now exchange words with a certain theorist who can claim great eminence in this field. I mean Rümelin, who was chancellor of the University of Tübingen. He said: "There is no sense in always bringing up such objections; that is mere talk. The question of morality does not enter into this matter at all directly. There are many factors involved." We can not take issue with this. There is nothing pernicious in the matter; it is proper, and nothing else. We do not want to overdo the thing, on the one hand, as is the case in France and the United States, where the women no longer care to be mothers, and, on the other hand, we do not want any proletarian increase. I should like to lay special stress on this for the benefit of Herr Singer, for there is no use in shutting our eyes to the fact that our lower classes in particular are suffering greatly from the number of births. What use is there in a woman having a child to-day that is to die next month? That is not an ideally fine condition. On the contrary, everyone who is interested in the welfare of the laboring man must realize and admit that proletarian conditions will recur again and again if the rate of increase in the population is excessive. And in your socialistic state, too, Herr Singer, the problem of population would present great difficulties. It is in this sense that I wished to be understood.

B a n k I n q u i r y o f 1 9 0 8 - 9

As far as I can see now, these points are herewith disposed of. I shall refrain from saying anything more about them, especially as my esteemed neighbor, Herr Riesser, is not present, being obliged, like myself, to attend to professional duties in the afternoon. Only one thing more. One of the speakers made a remark yesterday to the effect that we shall be obliged to make it a necessary condition of the filling of a professorial chair by a jurist, and still more so by a political economist, to have been actively engaged in business for a considerable length of time. Well, if this is feasible, *à la bonne heure*. But whether it can be done appears to me questionable. I know it to be a fact that when young men who have had to do with banking take up theoretical studies and pursue them for a long time, they get to treading the path along which I am traveling. The outcome of such a proposition, gentlemen, would be—an outcome that we university professors absolutely reject—that each individual class in the community having particular economic interests to uphold would want to have its representative at the university among the teachers of political economy. You would have, for example, a champion of the gold standard and a bimetallist, a free trader and a protectionist, an advocate of unrestricted handicrafts and a representative of those who stick to guilds, a spokesman for the believers in an agrarian state and one for those who desire an industrial state, and so on. But this is not practicable. You would have to increase the number of professorships greatly. Instead of one, two, three, or four professors, you would be obliged to have

National Monetary Commission

perhaps forty, fifty, or a hundred, which is out of the question. And then the jurists! Of course, it is desirable and even necessary that a jurist shall understand something about the agrarian question, the industrial, the mercantile, and the bank question. But there is no use in exaggerating here either. We must after all have faith enough in theorists to believe that they at least mean well and that they are not all born idiots, who have invariably narrow and perverted views. In short, I believe that is going too far.

And now a word or two at the end in regard to the actual question. Well, I see, gentlemen—what was clear to me from the start—that in so far as you are connected with the practical business of banking, you reject almost entirely every kind of legislative interference. This is, indeed, psychologically comprehensible, and, as I have said, does not surprise me. But I must confess, on the other hand—maybe it is nothing but perverseness on my part, or prejudice—that I am absolutely convinced that you are going too far in this matter. The proposition of Herr Roland-Lücke—a commission—contemplates, indeed, something similar, as I have said, to what I and others have been thinking of. We should like, at least, to have something in the nature of a commission invested with censorial functions. That is his scheme, if I understood him rightly.

Doctor WACHLER. Some sort of activity?

Doctor WAGNER. The activity of the advisory council, of a commission or other authority that has first of all to be installed. Whether this is to be done by legislation or in some other way may have to be considered. At

Bank Inquiry of 1908-9

any rate, the way the matter stands is this: That it is generally admitted, even by those of the members who are practical business men, by the gentlemen connected with the Reichsbank (in particular, his Excellency Havenstein) and, from what I have heard, by Doctor Ströll likewise, that it is absolutely necessary to introduce some restraining factors which shall do away with the habit of always considering the Reichsbank, or it may be the other banks of issue, as the last resort whenever one has—if I may use the expression—got stuck. That is what happens, on the one hand, in case of unusual demands for credit and, on the other hand, in case of panic. I am told that the Dresdner Bank at the time of the panic which burst upon it a few years ago with the withdrawal of deposits, etc., did not avail itself to any extraordinary extent of the credit accorded to it at the Reichsbank and elsewhere. I am glad of it; the help, I see, came from another quarter.

Doctor WACHLER. From within itself.

Doctor WAGNER. But the discounts at the Reichsbank were kept within the admissible limits.

A VOICE. Far-stretched limits.

Doctor WAGNER. Nevertheless, they did not transgress the assigned limits. They were not in excess of the amount to which the bank was entitled. The upshot of all this, however, is what the members of the commission who are in the banking business affirm, to wit, that when you are obliged to make these heavy calls for money at the quarter days, at the end of the month, or at other times, you come, as a last resort, to the Reichsbank. But suppose that all of a sudden the demands upon the

National Monetary Commission

Reichsbank run up into the hundreds of millions, what then? The situation becomes more precarious, the rate of interest advances, and the cash reserve is drawn upon. What right have you to ask such assistance? It is an evidence that you have been overstraining your resources to be unable to get along without such aid.

You say one ought not to be constantly reckoning on the danger of war. But neither is it right to take no heed of it. Until now we have had only economic crises; but assume, for a moment, that we have to deal with troubles in the political field, that we are confronted with the other kind of danger, to which after all we can not shut our eyes. You will see what kind of a panic we shall have then, and whether the banks will not be obliged to have recourse to even a much greater extent to the Reichsbank and the other banks of issue. And what will be the outcome? I fear that our great banking system would in the event of war not be quite so well fitted to weather the storm or, in the more emphatic language I made use of yesterday, it might collapse, if it does not organize its business beforehand with reference to such possibilities. If the only way the great banks can get along is by securing credit in such cases from the Reichsbank and the other banks of issue, and if this credit is accorded them—as under the given conditions it must be accorded them—a situation may arise, or at least a situation is more apt to arise, which may compel forced circulation and a suspension of the redemption of the bank notes. But why is this to be feared? This irredeemability is not brought about by the situation of the bank in itself, in that it is obliged to place large sums of money at the disposition of the State, but

B a n k I n q u i r y o f 1 9 0 8 - 9

by the needs of the banking world. These things are all closely connected, and when I look at the matter I think I am justified in asking whether it is not necessary to take measures to restrict the demands made upon the Reichsbank by the credit banks and the banks engaged in the flotation of securities. We must see to it that the investments of these banks are made more liquid and that on an average a larger cash reserve shall be maintained, whether in coin or in the shape of a balance at the Reichsbank. If this can be effected by voluntary agreement, very well. But I have doubts, and so have others, as to whether a voluntary agreement would suffice. We see what happens in other cases. No one, as a rule, is in favor of coercion, and even the most arrant doctrinaire will say that coercion is by no means an ideal thing, but, on the contrary, something that is very disagreeable. But we can not get along without coercion, seeing that voluntary agreements do not work, or at least are not sufficiently efficacious, and that they can not be brought about quickly enough. It is not that we have any preference for coercion; we are simply reduced to the bitter necessity of coercion.

The question is: What particular legislative regulations shall we make? I am, of course, willing to subscribe to a good deal of what you propose, but I am not willing to go so far. How is it that the banks of issue can be subjected to such legislation? And yet, on the whole, it has been held to be salutary. I may remind you that on the occasion of the discussion of the question relative to the quotas of notes to be assigned to the individual banks the view was expressed by myself and other theorists, including Doctor Arendt, that it might be well that the Reichsbank

National Monetary Commission

at least be exempted from the limitation of circulation, and this in spite of the fact that the limitation proposed was a convenient and flexible one. But those connected with the Reichsbank itself argued in this wise: "It would be a good thing for us to have such a limit, to be bound by it, and to be able to refer to its existence in order, if necessary, to justify our refusal to grant certain credits in the eyes of those asking for them; in short, we must have at least a minimum guaranty of security." It is on this account that the proposition of a one-third reserve was urged, the provision regarding which is still in force. Similar things may be done voluntarily and, if so, it is very well. But if you are not going to do it, or if one or another of the institutions backs out, then nothing is accomplished. We ought at least, in my opinion, to discuss the desirability of a cash reserve and the enactment of a regulation compelling the banks to invest a considerable part of their resources in good bills, discountable at the Reichsbank. We ought, moreover, to consider whether it would not be well to have a legislative provision in regard to the investments in securities, especially applicable to those banks which have large deposits, constituting an important part of their working capital. Such banks might be prevented from letting this capital go altogether into the securities of industrial establishments and similar concerns, to the exclusion of imperial and state securities, it being made obligatory upon them to have also permanent investments in government bonds and similar securities bearing a fixed rate of interest. This is what has been done in other countries. Else how do you explain the whole legislation relative to banks of issue in the United States? As you

Bank Inquiry of 1908-9

are aware, it dates from the time of the civil war in the United States, when the regulation was framed compelling the national banks to secure their notes with government bonds. This provision is ill adapted to ordinary needs, but it was very expedient at the time with reference to the enormous loans which could not easily be floated in the course of the war. I believe, gentlemen, that propositions of the kind in question deserve to be discussed, and there is no use in saying beforehand that there is nothing to be done.

The same thing applies to the question of a bureau of supervision. It is a decided advantage to have a board with censorial authority. It is the essence of what I am saying and is perfectly in accord with what Herr Roland-Lücke said. And if the only result of our discussions should be the creation of a quasi supervisory authority of one kind or another I should consider that an extraordinary gain. Whether it is adequate may still have to be demonstrated, but some sort of supervisory authority would in itself be a great advance, and, therefore, I can only say once more that I can not see why you persist in rejecting it absolutely and insisting that it will not work.

Gentlemen, I have been talking too long, but so many attacks have been made upon me from every side that you will not take it ill of me. What I have been discussing has practically nothing to do with the special points of the bank question, but then most of the speakers who have preceded me have also adverted to the same broad subjects. And now just another word more in this connection. The case is different with the so-called deposit banks and the savings institutions. I wish to

National Monetary Commission

say that I fully agree in regard to this matter with President Heiligenstadt, who, I believe, is not present to-day [exclamation: No], to the effect that we are able in the case of the savings institutions to make the distinction, so difficult in the case of the other banks, between deposits, account-current balances, savings, and other outside moneys. Savings are, if not entirely, at least in very great part—I should assume up to 80 or 90 per cent—money actually set aside from one's daily earnings. The remainder is the cash of people of small means, which they carry to the bank for safe-keeping on account of their having no arrangements themselves for the purpose, until the time when they have to make use of it, just as is the case with a government official who receives his salary at the bank and takes it out in the course of the quarter. And it is only with respect to this fraction that the question would arise in the case of the savings institutions as to whether more regard might not be had for the matter of fluidity and as to whether a larger cash reserve might not be desirable. And I must remark in opposition to Doctor Weber, who has also assailed me, that the fact (which he alleges) that the rate of interest would thereby be lowered I do not regard as an objection. The principle that obtains in the case of the savings institutions of Saxony, which are the source of a large revenue for the communes, is rightly regarded in the rest of Germany as a wrong one. For just so much goes to swell the revenues of the Saxon city in which the savings bank is located as is withheld from the depositors. This is poor finance.

Bank Inquiry of 1908-9

My neighbor, Herr Riesser, charged me yesterday with suffering from a perfect "tax mania." ["Very true."]

Well, you may keep on saying "very true" and "tax mania," but what else is it than providing means for the State, the Empire, and the commune? You are not willing to raise the money out of the profits of the industrial concerns and would rather not have the railroads show such a large net income. You do not care to have the mines that are owned by the Government operated at a profit, although it may well be argued that government monopoly is preferable to private monopoly as represented by combines and trusts. Whence, let me ask, do you expect our public revenues to come? Are not the great expenditures for army and navy devoted primarily to the safeguarding of our national economy? Let my view of the matter be called "tax mania" for all I care. We can not avoid burdening the great mass of our population with indirect taxes and for that reason we have got to get hold of the wealthy people and lay the direct taxes on them. Call this a "tax mania" if you choose. I am not a bit afraid of that expression. What I ask means only that those who are able to pay shall be taxed more or less. For this very reason I have deplored the position taken by those parties in the Reichstag which have rejected the inheritance tax. The inheritance tax is, of course, no ideal tax. All sorts of arguments may be advanced against it. But then we are not going to have the imperial property and income taxes, which, of course, are preferable, or at least there is much less likelihood of our getting them. And here again, I must say once more, the "tax mania" with which I have been

National Monetary Commission

charged is connected with my views in regard to social legislation. When I think of the number of wealthy men who are concerned with tax legislation; when I reflect that Miquel's first income-tax bill was defeated in the upper house because that body did not dare to go beyond a 3 per cent tax; when I see that after having got as far as 5 per cent we do not venture to go any further; and when I consider that we have not yet introduced a progressive property tax, but make all fortunes alike pay this beggarly one-half per thousand whether they are big or small, then I must say I am seized with a "tax mania."

Doctor MOMMSEN. For our part we are ready to do it.

Doctor WAGNER. But the others will not have it. And one thing more to wind up with; we are finally going to have the increment tax. It happens—I may boast of it—that it owes its origin to an idea of mine, conceived in my study, an idea which at first was anxiously thrust aside by my friends, the theorists. Well, we have got it at last everywhere. But just see how afraid we are to go ahead with it. In Berlin they intend to take only 15 per cent of the actual increment.

Doctor MOMMSEN. Twenty.

Doctor WAGNER. Very well. Then there is still 80 per cent left. Gentlemen, we must go further; these small percentages will not suffice. We have really got to think about it. We must have taxes that are levied on the masses; the masses will be able to accommodate themselves to them, but they must be permitted to say, "But then, you wealthy people, you have got to pay what you can afford to pay."

Doctor MOMMSEN. That is precisely my opinion.

Bank Inquiry of 1908-9

Doctor WAGNER. We must have a great increase in the direct taxes that are borne by the strong shoulders of the wealthy, and let no one come to us and say, "We Germans are suffering from an excess of heavy taxes." We have but a very moderate burden of taxation as compared with other countries, even in the matter of direct taxes.

The CHAIRMAN. Herr Kaempf has the floor. I shall ask him to give his opinion regarding the first general question, which he failed to do at the time it was discussed.

Doctor KAEMPF. I shall endeavor to include the questions of a general nature in what I have to say, which will be all the easier for me, as I have in part to reply to the utterances of Professor Wagner, who has delivered an interesting address to us, but who has been speaking not only concerning the questions submitted to us, but, I believe, *de omnibus rebus et quibusdam aliis*, which are not always connected with the subject before us, the deposit system in the German Empire. I am able to declare in response to what he has said that my views respecting taxation are not so very different from his. ["Very true."] It would be a good thing in my opinion, however, if regard were had also for what goes to support our labor; that is to say, if the taxes on the prime necessities of life were to be reduced, if not at once, by degrees, at least. I believe this would be altogether in line with our views in regard to what is best for the development of our whole national economy.

Doctor Wagner referred to an address which I delivered in London day before yesterday. There is no necessity, I believe, for my dwelling on the matter, as what I said

National Monetary Commission

had no connection with the deposit system in the German Empire. The address was not a preliminary to what we have been discussing to-day, being concerned with an entirely different field. In regard to the huge stores and the big hats of the women Doctor Wagner expressed himself very fully. [Fully.] I have also a good joke to relate about a hat. You are aware that in France they have just introduced a 5-centime rate of postage on postal cards on which there are no more than five words in writing, outside of the address. I recently read in a newspaper that people are squeezing their communications into five words and that one of these communications, from a lady to her husband, read as follows: "Send hat by special car." [Laughter.]

The question of the increase of our population has perhaps some connection with this, a question which Doctor Wagner discussed to-day from very interesting viewpoints, but in regard to which I, nevertheless, can not agree with him. Doctor Wagner thinks that it is not necessary that the population shall go on increasing in the way it has done, inasmuch as the infants die for the most part soon after their birth, so that it would be better if they had never been brought into the world. My opinion is that if the babies are born, we are bound, above everything, to take care that they shall not die, and it is the universal aim and endeavor to diminish infant mortality.

It is not quite clear to me in how far this question is connected with the deposit system, but I thought I might as well advert to it briefly. There is one matter that I should just like to touch upon—the utterance of

Bank Inquiry of 1908-9

Doctor Wagner in response to Professor Riesser, who had declared that it would be a good thing if the professors at our universities were to acquire more or less practical knowledge and that nobody should be appointed a professor who had not previously acquired such knowledge. I fully agree with Doctor Wagner in his view that it would be a splendid thing for our whole economic development if our young men who attend the universities were to be taught by professors who have had an opportunity to examine the inner workings of mercantile and industrial life. I equally believe that it would be an excellent thing for our business men if they were to learn at our universities and commercial academies to think soundly about matters connected with the law. Many an improvement would result therefrom in the business world.

Much more closely related to the matter of the deposit system in the German Empire were the remarks made by Doctor Wagner in regard to the Dresdner Bank, the contingency of war, the activity of the Reichsbank, and the demands made upon the bank. As regards the Dresdner Bank, I must again emphatically call attention to the fact—a fact that has already been dwelt upon, it appears—that the Dresdner Bank did not ask for any other assistance than what it would have obtained through the discounting of bills at the Reichsbank if there had been no crisis. It had bills discounted at the Reichsbank and these were by far the most part such bills, which would in any case have been accepted by the Reichsbank without reference to the giro relations of the Dresdner Bank. I believe that no fault whatever is to be found with the

National Monetary Commission

Dresdner Bank in this connection, and as for the contingency of war, I agree with Herr Schinckel in believing that if we were all our lives to be thinking of the danger of war, every kind of activity and every mercantile and industrial business would be hampered.

We hear a good deal of talk about the excessive demands upon the Reichsbank at certain dates, particularly at the quarter days. All the money, they say, is withdrawn on one day, which, of course, must weaken the Reichsbank and make the whole situation appear unfavorable. I have nothing whatever to say against this. But it is beginning at the wrong end to lay the blame for this upon the banks. We have got to start out altogether differently. In order to enable ourselves to make a change in this respect and bring about conditions similar to those in other countries, we must see to it that obligations in Germany do not all mature on one and the same day, that salaries are not paid on the last or the first day of the month, that neither rents nor the interest on mortgages are payable on the first, and that the business in connection with mortgages has not got to be all transacted at the quarter days. Then the demands upon the Reichsbank at the quarter days will no longer seem so excessive as is the case at present.

We must also consider that what is lacking in Germany is a judicious development of the method of payment by means of checks and drafts, which, in spite of all efforts, has not become sufficiently popularized to afford substantial relief to the mechanism of our monetary intercourse. And I can only add that I regret that our recent legislation, in seeking to provide an additional seven or eight

Bank Inquiry of 1908-9

millions of revenue, should have proceeded at once to impose a tax, a more or less prohibitive tax, upon the use of checks after it had begun to develop in a measure.

I come now to the questions that are before us to-day, and, in conformity with the instructions of the president of the Reichsbank, I wish to declare at the outset that I intend to treat all these questions with reference to the public interest and that all the questions which we are to discuss and answer to-day are capable of being dealt with from this same standpoint. I regard the public interest with reference to two different aspects. I have to consider first the safety of the deposits and secondly the question as to what is best for our national economy. I believe the matter of the safety of the deposits has been adequately discussed. I am willing to assert that all the losses that the depositors have thus far sustained are insignificant by the side of the extraordinary economic benefits which the deposit business through the agency of the banks and bankers has conferred on the people. In what particularly concerns the safety of the deposits in the hands of the banks, I am also ready to maintain that there is no evidence whatever to show that they have not been sufficiently safeguarded. And, as far as I could understand, I have not heard any of the speakers at our meeting to-day assert that any fault whatever could be found with the banks in this respect. I am not dealing with the question, however, merely with reference to the safety of the deposits, but also with reference to the advantage to our whole national economy that has resulted from the management of the deposits and other outside moneys by the banks. I maintain that if we had not had

National Monetary Commission

the development which our banks have brought about, our industry would not have been able to take these extraordinary leaps. Such progress could not have been realized had it not been for the possibility of applying the temporarily liquid funds that exist in Germany to the needs of commerce and industry. And when people come and tell us that nevertheless it would be better if these deposits were to go into government banks and savings institutions, so as to be placed under special supervision, I must say, on the contrary, that the German people are so eager for the development of our industry and that their life is so closely bound up with this development, that the depositors have intended, as they still intend, that the very money, which they happen to have to spare shall be made productive in this manner for the sake of the general development of industry in the German Empire. Without this development of industry in Germany itself we shall by no means be in a position to perform all the tasks that have been laid upon us. I maintain, therefore, that it is quite natural and in conformity with the needs of our industrial life that our banks should have made it their business to place at the disposal of industry the money that happens to be lying idle and is brought to them. In no other way could this great development have taken place which we have been witnessing and which must go on henceforth if we hope to make it possible for our population, which, in spite of everything, is growing at the rate of about 800,000 souls each year, to be supported by industry and commerce—which alone can support it [exclamations of protest]—and if we expect to retain within

B a n k I n q u i r y o f 1 9 0 8 - 9

the bounds of the German Empire the annual accessions to the numbers of our people.

If I subject the questions submitted to us, taken collectively, to this general criterion, I think I shall be able to answer them individually from the same standpoint. We have, first of all, the question as to whether the Reichsbank shall engage in the business of taking interest-bearing deposits. The principle has been laid down, I believe, by which we are to be guided in dealing with this question. What I mean to say is, that it is not the function of the Reichsbank to carry on a credit business in which it is the owing party. For, in connection with this business, in which the Reichsbank is the debtor, there would necessarily have to be a credit business in which the Reichsbank is on the creditor side, and in the case of the Reichsbank the credit business should be a subordinate one. It ought to carry on such business only to the extent that it is necessary for the regulation of the circulation in the German Empire. Nor should I consider it a desirable thing to have a large amount of interest-bearing deposits accumulate in this way at the Reichsbank, which could be used only in connection with discounts and loans. Just as little do I believe that government deposit banks are calculated to produce the results that we have a right to expect from the utilization of our deposits in the German Empire. Here, too, if such funds are conveyed into government deposit banks, the resources will to a certain extent be lacking for our industrial development, which we all have reason to encourage.

National Monetary Commission

With respect to the obligation to keep at the Reichsbank a cash reserve against deposits, I have merely to add one more argument to those that have been already adduced, putting it in the form of the following question: When shall the banks which are to deposit a certain percentage of their deposits at the Reichsbank be enabled again to make use of this money? It is necessary that it be placed again at their disposal when their outside moneys are being withdrawn. To what extent is this to be done? When are they to be permitted to begin drawing upon their cash balances at the Reichsbank in order to make use of the money in the repayment of deposits to their customers? I do not believe it would work to impose any regulations whatever upon banks and bankers in this matter. The funds ought to be left at their disposition for the very purpose of providing against the contingency of their being called upon to repay the money deposited with them.

In what concerns the restriction of the amount of deposits that may be taken, I believe the question will at once be answered in the negative if one attempts to distinguish between deposits and other outside moneys. It is evident that it is impossible to make a distinction between the two that is free from objection. With respect to what is the restriction to be made? With respect to deposits merely or with respect to outside moneys in general? I believe that every restriction will fail of its object and can only be detrimental to our whole national economy.

The same is the case with the question of separate management. And now I come to the matter of investments

Bank Inquiry of 1908-9

in government securities, with reference both to the deposits and to the surplus. Herein I differ altogether from most of the gentlemen who have spoken to-day. I am of opinion that the banks should not be compelled in any way whatsoever to invest their deposits or other outside moneys wholly or in part in government securities any more than they are obliged to do so in the case of the surplus. If we were to make this obligatory on the banks, we ought, in my opinion, to give them a guaranty that they will not sustain any loss on government securities. I need only call your attention to the circumstance that if our insurance companies had only had the greater part of their premium surpluses and other surpluses invested in government securities, they would have found themselves in the position of being obliged to publish such annual statements as, I need not assure you, would have made a very queer showing. Our banks and other financial concerns, in particular the insurance companies, will of their own accord set about to invest the funds which are at their disposition in government securities as soon as our finances have been placed on such a footing as to make it reasonable to anticipate stability in the quotations of government bonds or even an advance in their prices. So long, however, as our government securities have to suffer by reason of the condition of our finances, and so long as every year large amounts of new government issues are placed upon the market—as has been the case during the last ten years—with the inevitable result of a decline in the prices of the securities, it will not be possible to impose any obligations on our banks and insurance companies in this regard. Their own interest has restrained

National Monetary Commission

them from such action, and it will, I am sure, cause them to keep aloof in the future, unless there is to be an upward turn in the prices of government securities. For I agree with Doctor Wagner when he tells us that if our finances are in good condition, the prices of government securities will be high. But in that event we shall not need any legislative enactments relative to the investment of deposits in government securities.

In regard to the matter of a prescribed form for the bank statements and in what concerns the question of the creation of a supervisory bureau or an advisory council in connection with banks and banking, it is my belief that every prescribed scheme, whichever way you take it, whether emanating from the voluntary action of the banks themselves or whether imposed by the public authorities, is bound to suffer from the great defect that, no matter how cleverly contrived, it will not afford a view of the actual condition of the bank or enable one to form an accurate judgment in regard to the fluidity of its resources. For the fluidity of a bank is not to be inferred solely from its ability to show that it has so and so much in securities, so and so much in syndicate participations, and so and so much in loans, but it has to be judged of with reference to the soundness of each individual item embraced within these various categories. And even if a large amount is invested in government bonds, which are shown to figure among the securities, I believe that the person was right who said that in case of a crisis it would be impossible to dispose of the government bonds or else that the bank would perhaps not want to dispose of them on account of the loss that might be

Bank Inquiry of 1908-9

incurred. The publication of the condition of the bank, therefore, even if every effort is made—as is necessarily the case—to render everything as palpably manifest as possible, can never enable one to form a correct judgment in regard to the actual condition.

Neither will this be accomplished, gentlemen, through the creation of a supervisory bureau for banks. It is utterly impossible in the case of such large concerns as our banks for anyone not connected with the establishment to make himself actually acquainted with the condition and circumstances of the bank by means of periodical examinations, which, of course, is all the supervision could amount to. I should be willing to support a proposition for the creation of an advisory council if what is meant is not an administrative office and as long as we are not to have what Doctor Wagner has designated as a “quasi supervisory authority.” Anything savoring of supervision is mischievous. The only way of going about it is to have this advisory council connected with the Reichsbank, of which it ought naturally to be an adjunct. We have already something that will help to guide our steps in this direction. I hardly think I am telling tales out of school when I say that the Reichsbank was a party to the agreement in regard to the publication of bimonthly statements and that the banks pledged themselves not to make any changes in the scheme prescribed for the balance sheet without the consent of the president of the Reichsbank. The conferring of this prerogative upon the Reichsbank in the matter of the publication of statements may, in my opinion, be made to serve as a stepping stone for the requisite action if we mean to have an advisory council,

National Monetary Commission

and I think by all means that we ought to take advantage of it. But to create a new administrative office, a quasi supervisory authority, would, I am convinced, be a mischievous thing—mischievous not with respect to the great banks, but with respect to the public interest. It might perhaps be in the interest of the great banks to have such an administrative office for the purpose in question; for the more this is in the nature of an administrative authority the more prone the public will be to say, "There, you see, we can safely intrust our deposits—our money—to the banks." I believe, therefore, that our banks as such would have no reason to object to it. But with reference to the public interest—and that is what we here represent—I should consider it a mistake if an authority of any kind were to be instituted that would in the least degree create the impression that we were to have a new administrative organ, a quasi supervisory authority. It is my opinion, therefore, that the only thing that has been evolved out of our discussion, the scheme of an advisory council in connection with our banks, has to be dealt with in the most careful manner and altogether with the understanding that whatever is done is to be undertaken in connection with the beneficent activity of the Reichsbank.

The CHAIRMAN. I move that we adjourn. It is half past 1 o'clock. I shall request you to be present again at 3 o'clock.

[Recess.]

Mr. GONTARD. Gentlemen, I am greatly indebted to Direktor Weber for having afforded me an opportunity

Bank Inquiry of 1908-9

of bringing up once more the subject of the system of supervisory councilors, for whose alteration and improvement I have contended on other occasions. I am aware that among the members of the supervisory councils there are a large number of able men and, above all, I know that the gentlemen assembled here belong to that number. I am aware also that there are many gentlemen who accept such a supervisory office by no means on account of business considerations, but entirely out of regard for the public interest, although the discharge of its duties is something that they do not invariably relish. But, as the term "supervisory councilor" indicates, the public believes that the supervisory councilor attached to one of the great banks, so-called, or to any other bank is actually there in order to exercise a supervision. I myself was likewise under the impression that he was able to do this in the case even of the larger institutions until I became part of this Bank Inquiry Commission. In this connection it may be stated that in the prospectuses the names of the supervisory councilors figure by way of advertisement.

A VOICE. They have got to be there.

Mr. GONTARD. Of course they have to be there. But if the law provides expressly for a supervisory council and the council is in reality unable to discharge its supervisory duties according to the meaning of the law, one has a right to ask at least that the designation be changed.

A VOICE. Administrative council.

Mr. GONTARD. At any rate we ought to see to it that the designation "supervisory council," now universally used, is not retained.

National Monetary Commission

A VOICE. But the law has it so.

Mr. GONTARD. Then the proper thing to do is to make the alteration in the law.

In what especially concerns the legislation in regard to supervisory councils, and, in particular, those attached to the banks, I am happy to say that I share the views of Doctor Weber, in part at least. In my opinion it is not proper that there should be a large number of men filling individually so many of these supervisory positions, and I am not sure that Doctor Wagner is not right in insisting in his pamphlet (one of the documents to which we are referred), entitled "Zur Frage der Regelung des Depositenwesens," that the number of such positions that any one man can fill shall be restricted by law. I am aware that this would not have the effect of making it more difficult to control other kinds of concerns, as, for example, industrial concerns, inasmuch, as recourse could be had to men of straw. One can not help feeling, however, in many cases that the men have in reality not the time to discharge the duties of their supervisory positions. I do not mean, of course, the gentlemen who are present.

As for the second point mentioned by Doctor Weber—the communications of the *Frankfurter Zeitung*—it is probably something of the same sort as what Doctor Riesser complained of in his pamphlet, "Zur Aufsichts-ratsfrage." The matter has reference to paragraph 246 of the mercantile code.

It has been asserted here that the supervisory council is under all circumstances dependent on the men who are at the head of the bank, and that this is inevitable. I

Bank Inquiry of 1908-9

concur in this up to a certain point, but up to a certain point I also disagree. It is invariably the great banks that are referred to, and in particular the Deutsche Bank. It may possibly be—I am not in a position to judge myself—that the supervisory council is obliged in this case to depend upon the managers simply because it is unable to have an eye on the whole business, but in the case of many small banks I think it would be better if the supervisory council were more unrestrained in the exercise of its powers and had not to defer so much to the management.

A VOICE. But that is the case.

Mr. GONTARD. This is by no means true with respect to the powers of the individual members, and otherwise in actual practice it is frequently not the case when it comes to an action, or what appears to be such, on the part of the head of the bank.

I come now to our question sheet, and shall deal as briefly as possible with questions 1 and 3. While the individual States look to the security of the savings institutions, I think the Genossenschaften ought to be called upon, or some of them at least, to exert all their energy in order to make their condition as favorable as possible. If we were to set about legislating at once, I am sure that we should be hurting the Genossenschaften, something I would by all means avoid doing. I believe, nevertheless, that if the cooperative credit associations do not see their way to making a great advance in the near future with respect to fluidity and other matters which we have already discussed, recourse will ultimately have to be had to legislation.

National Monetary Commission

In what concerns the banks as such, I have said before that I anticipate comparatively little from normative regulations, simply for the reason that it is extremely difficult to distinguish deposits and savings from other outside moneys.

As regards the matter of a cash reserve, I concur pretty much in the view expressed by Herr Mommsen, although I am still looking to some of the other members for further light on this subject. From patriotic motives I am decidedly in favor of having the banks, and in particular the great banks, invest in government securities. Whether these are included in the surplus or figure in some other way on the books does not matter much, in my opinion.

If I am expected still to add a few words in regard to other measures, I must express my regret at our having had so little to say regarding one matter, the depositing of outside moneys with the Reichsbank. I, for my part, am not in favor of it, being opposed for various reasons to the arrangement that has been suggested. But our experts have gone to such an immense amount of trouble in this matter that I believe I am speaking for all of you in expressing our thanks to these gentlemen for the pains they have taken. I would take this occasion also to convey the thanks of this commission to the officials of the Reichsbank, as well as to Herr Fastenau, which has not been done as yet. The results of these extremely painstaking labors ought to be given wide publicity.

Government deposit institutions would not pay, in my opinion. The same would probably be the case if the Seehandlung were to take deposits. Such an arrangement would be prejudicial above all to the savings institutions.

Bank Inquiry of 1908-9

There is no need, however, of my dwelling upon this matter. Neither is there any use in discussing further the question of the taking of deposits by the Reichsbank.

As regards the question of a bureau of supervision, I am decidedly opposed to such an institution in the form in which it has been proposed. I have had occasion to devote considerable attention to the subject of insurance legislation and I have been impressed with the fact that we should never have witnessed this extraordinary development of the system of insurance in Germany in the last hundred years if the supervisory bureau for private insurance, for whose activity I have the greatest respect, had existed from the outset. In like manner the development of our banking system would probably not progress in the way it has done till now if we were to have a bureau of supervision. My opinion is that this development has, with a few exceptions, been a decidedly sound one. I can not agree with Doctor Wagner in the advocacy of a supervisory bureau in regard to which I can not make out where the line is to be drawn limiting its activity. It is possible, however, that I have not fully caught Doctor Wagner's meaning.

As for Herr Roland-Lücke's suggestion that a commission be created, I am altogether favorably inclined to the proposition as far as its essence is concerned. If a vote were to be taken, I should, without committing myself to it, vote in favor of it.

A VOICE. Without committing one's self to it?

Mr. GONTARD. I mean without committing myself to it at this moment. I should, however, like to call attention to certain difficulties that present themselves. It

National Monetary Commission

will probably not be an altogether easy matter for the Reichsbank to pick out suitable persons, such as will give general satisfaction. We have such an immense number of trade associations in Germany, including a great many associations of manufacturers and other producers, and they represent such a diversity of opinion that if each one were to come with a request to be allowed to have a representative in the commission it would be a rather troublesome matter. There would be no need of complying, but then we should have to anticipate more or less dissatisfaction.

A word more. The only real experts in all technical matters of banking—let us be frank and say that we do not mean to labor under any illusions in this regard—are, after all, the bankers, and it may easily happen that questions are occasionally brought up for discussion with respect to which the interests of the Reichsbank are not at one with those of the bankers, so that there will be a clash of duties if the banking men desire to take part in the discussion. I am aware, of course, that there are a great many men of high standard who, when it comes to it, will manage to keep clear of these rocks.

As for point 3, in so far as Herr Roland-Lücke has taken it up, I will say that I should welcome a voluntary publication of statements by the banks if it were practicable, but I doubt greatly whether the banks can be induced to do it.

I agree perfectly with Herr Roland-Lücke in believing that it is the proper thing, under all circumstances, not to itemize the foreign and domestic bills separately. I am an exporter myself, and am therefore in a position

Bank Inquiry of 1908-9

to judge of the results. If the Reichsbank is interested in knowing precisely the proportion of each, it would be better, in my opinion, if the banks were to communicate the information regarding foreign and domestic bills directly to the Reichsbank and not place the figures before the public.

Herr Roland-Lücke was of opinion that a prescribed form of statement would not work, as conditions were continually changing, making it impossible to fix upon a scheme that could be adhered to for any length of time. A way out of the difficulty would be to intrust the matter to the Bundesrat. It might be provided that "the Bundesrat is authorized, after consultation with the Reichsbank or in connection with the Reichsbank, or otherwise, to prescribe a fresh scheme at any time."

As regards the method of placing facts and figures before the public which Herr Roland-Lücke has designated, I can say that I am heartily in favor of it. But what particularly impressed me was what Herr Roland-Lücke had to say in regard to the education of our people in money matters. I must admit that it is simply frightful to note, especially in the case of our female population, what a lack there is of knowledge in the domain of finance. Whatever can be done in the way of educating our people in these matters, and in particular through the schools, would, I am sure, prove of great advantage, although I doubt whether many of our ladies would be able to make out anything from our prescribed form of balance sheet. All the same, a prescribed scheme of bank statement, would in the case of many people, make things much clearer.

National Monetary Commission

As for Herr Roland-Lücke's assertion in regard to the savings institutions to the effect that there would hardly be any use in enacting a prohibitory regulation relative to the use of the designation "savings bank," I agree with him entirely. I had originally a notion, indeed, that it would be a good thing—inasmuch as it is impossible to prohibit the use of the word "saving" in the name of the concern and as we have a number of banks in whose title the word occurs—if we could invent some new designation and were to make it incumbent on the real savings institutions to adopt it, say, "savings bank under legal supervision," or something of the sort. But, then, this would have also its great disadvantage. I have therefore given up the idea and concur altogether in Herr Roland-Lücke's view of the matter.

That is all I have to say in regard to these points, gentlemen. Shall I proceed at once to point 2? If his excellency will permit me to express myself with reference to point 2, I would say, to begin with, that we ought not to expect too much from supervision in the matter of published statements. There is no use in overestimating the importance with respect to the bank's customers of the information given out to the public. I know of a case where the timely disclosure of the fact that there was something wrong about the bank had the effect of making the well-to-do, and particularly well-informed, people withdraw their money, so that after the collapse of the bank the small depositors, who of course were not so well informed, did not fare as well in the distribution of the assets as they would have done otherwise.

Bank Inquiry of 1908-9

What I anticipate from the publication of balance sheets is a heightened sense of responsibility—in which I only repeat what some of our experts have said—and, as a result, a healthier development of our credit system. In one of the pamphlets submitted to us, “Zur Frage der Verstärkung der Goldreserven in England” (p. 27), J. Spencer Philipps is quoted as saying: “No reform is so essential as the introduction of a uniform statement, arranged according to identical principles, for all banks.” This has interested me greatly, although I am not sufficiently familiar with conditions in England to be able to form a judgment in regard to them. The real advantage of the frequent publication of statements consists in the opportunity afforded for comparison and in the possibility of preventing the cooking up of accounts.

As regards the pattern for the annual statement, I believe that the scheme ought to be made as detailed as possible. I thought at first that the scheme on page 56 of the publication before us would afford an adequate basis for our discussion. I am willing to defer in this matter, however, to the expert opinion of our bankers, which up to a certain point I consider conclusive.

I should like to say a few words still in regard to the intermediate statements. In this respect I share the views of an expert who enjoys high repute and whose written opinion you will find on page 281 of the stenographic reports of Subcommittee II. I shall beg permission to read part of it aloud to you. It reads as follows:

I should urge, on the other hand, that steps be taken to compel all the financial institutions without exception to publish more detailed and more

National Monetary Commission

frequent statements than they have published heretofore. Although I am aware that a printed balance sheet, no matter how clearly it is drawn up, can not always afford an accurate view of the actual state of the assets and liabilities, it is nevertheless much easier to form an opinion in regard to the condition of the institution in question:

1. If the balance sheet is published monthly.

This strikes me as going rather too far. Bimonthly statements, it seems to me, would answer for the present.

2. If the aggregate amount of indorsed bills for which the bank is responsible is entered.

3. If all the sums guaranteed by the bank are entered.

4. If all the collateral (bills, securities, etc.) repledged by the bank, is entered in the statement.

In addition to this the author of the scheme proposes that in the enumeration of the assets—

1. Cash and account-current balances shall be entered separately.

2. Bills shall be specified according to the time they have to run, their number, and their amount.

This last is certainly asking a great deal, and I doubt whether it is feasible.

3. Securities shall be specified with respect to their being listed or not listed at the Bourse, and there shall be a further subdivision into domestic and foreign bonds and domestic and foreign stocks.

This is what Herr Roland-Lücke was talking about yesterday. I myself do not believe in distinguishing between domestic and foreign items.

I have nothing to say in regard to syndicate transactions.

4. Debts shall be divided into unsecured debts and secured debts, and the latter again into such as are secured by guaranty or by mortgage, such as are secured by stocks or bonds listed at the Bourse, and those secured by stocks or bonds not listed at the Bourse.

This would of course entail an immense amount of labor. Our expert suggests further:

The debts shall be entered besides according to the amounts.

Bank Inquiry of 1908-9

This is, of course, at variance with what my countryman, Doctor Weber, said this morning. We have this additional suggestion:

5. Loans (*lombards*) are to be divided into those in which the collateral consists of securities listed at the Bourse, those in the case of which the securities are not listed, those secured by merchandise sanctioned by the Bourse, and those secured by merchandise not belonging to the specified kinds.

In the case of the entries on the liabilities side regard shall be had for the length of time allowed for payment after notice has been given.

I should like to supplement this by suggesting that it might perhaps be expedient to place at the head of every intermediate statement a caution to this effect: "This balance sheet takes no account (or only partial account) of deductions for depreciation that have to be made. This is in order to prevent misunderstandings in this respect and false expectations in regard to the annual statement.

A VOICE. Impossible.

Mr. GONTARD. Now it appears to me that a legislative enactment prescribing such a detailed form of balance sheet for joint-stock banks would not be quite fair unless we are to have similar provisions applicable to the private banks. I am aware that the publication of statements might injure the private banks, and with respect to this I may refer you to page 178 of Herr Fastenau's compendium. Quite a number of gentlemen, however, for whose opinion I have the greatest respect, have declared that this obligation to publish statements ought to be extended to the private bankers as well, and you will

National Monetary Commission

find a passage relative to the matter on page 175, reading as follows:

A particularly vexed question with the experts is that as to whether the obligation to make public their condition is to be extended to the private bankers. Apart from the above-mentioned gentlemen, it is the opinion of the experts (a list of them follows and they are very respectable names) that this goes without saying.

The considerations that have actuated the gentlemen may perhaps have been most diverse ones, but in any case it is a very important matter. We shall be better able to deal with it when we have got the stenographic reports of the whole commission. The publication of statements is a much more serious matter in the case of private bankers than in that of joint-stock banks, and under certain circumstances the giving out of information would mean the end of their business or transformation into a joint-stock company, which is certainly a not very desirable thing.

Well, I have asked myself whether there is no possibility of accomplishing what we want without our having to put up with such drawbacks. I trust President Kaempf will not be frightened—he was not present the other day—if I am going to put this question: Would it not perhaps be possible to have the listing committees do service in this matter?

A VOICE. Don't provoke him any further. [Laughter.]

Mr. GONTARD. What I mean to say is that the private bankers should be required to hand in bimonthly statements to the listing committees. This is my idea. I am myself a member of a listing committee and I am aware that the gentlemen who belong to it, when they hear

Bank Inquiry of 1908-9

what I have been saying, will perhaps be indignant on account of the work that is laid upon them.

A VOICE. And something else besides!

Mr. GONTARD. I know what you mean, on account of the responsibility. I should be sorry indeed to impose any additional responsibilities on the listing committees, and I am thinking, therefore, whether the matter might not be arranged in the following way. The listing committees shall be required in the first place—in the way Herr Schinckel had in mind when he spoke this morning of a commission in connection with the Reichsbank—to make regular reports to the Reichsbank and, in the second place, to examine the statements that are handed in merely with reference to whether they satisfy a certain requirement, the requirement that I have in mind being one with reference to the ratio of the outside moneys to the aggregate resources and to the capital employed in the business. If the showing falls short of the prescribed ratio—that is to say, if the money belonging to the concern does not amount to a prescribed percentage of the outside moneys—the tables relative to the joint-stock banks have been submitted to us—the listing committees would not be called to do more than to publish the statement in question. What would be the result? Either nothing will happen—you can not do anything with those people who, in spite of being aware of the insufficient means of their “banker,” persist in depositing their money where they can lose it—or the concern in question will be helped over the situation, or else, if the worst should befall, the concern might possibly be prevented from continuing in business. But would it not in reality be better, gentlemen, if firms that do

National Monetary Commission

business with entirely inadequate means ceased to exist? If some of you are inclined to believe that the bankers have the upper hand in the listing committees I can say that, as far as I am aware, this is not everywhere the case.

A VOICE. The law prescribes the proportion.

Mr. GONTARD. Yes; one-half. The bankers belonging to the listing committees are, however, not likely to be such as are dependent on the great banks, and they are in any case apt to be informed regarding the circumstances of the small bankers in their district. We may, therefore, assume that they will not be likely to get hold of anything particularly new in the way of information through these statements, and at any rate the thing would not be different from what it is in the case of a tax commission, which, as a matter of course, is in duty bound not to disclose anything. To be obliged to submit his balance sheet to experts bound to secrecy can not injure any respectable business man. There would consequently be no harm in it if some one who is not a banker in the actual sense of the word were occasionally called upon to submit a statement.

I have endeavored to reach such a solution of the question before us as would in my opinion not be detrimental to the banking middle class and which might even be of advantage to it—a solution that does not bring in its train the disadvantages (including the actual expense) of the publication of balance sheets. We know that the public regards the published statements of the joint-stock banks as something in their favor, as some sort of guaranty of their soundness. I believe that my scheme would have an educatory influence, just as we expect the publication

Bank Inquiry of 1908-9

of balance sheets on the part of the joint-stock banks to exert such an influence. If my suggestion should not meet with favor in your eyes, I trust you will look upon the matter merely as an endeavor on my part to do my best.

I am now through, gentlemen, with what I have to say, and I wish merely to add in response to something that Count Kanitz said yesterday that I myself, as an individual belonging to our industrial realm, do not by any means hold the same views as Count Kanitz in the matter of governmental action for social welfare. I should, on the contrary, rejoice to see our social-betterment legislation make substantial progress. The kind of progress that I should desire to see, however, would be rather in the direction of organization, as, for example, in the matter of establishing a system of employment bureaus, than in the assumption of fresh burdens, which, of course, in some respects will be unavoidable.

Doctor RIESSER. I regret to have been prevented by my professorial duties this forenoon from hearing Doctor Wagner's reply to my statements. I have consequently only a few notes of what he said, which one of the members was kind enough to make for me. I must reply, although this time Doctor Wagner is not present, after his having replied to me—there was no other way of arranging it—when I was not present.

What I particularly wish to dwell upon is this. I regard the propaganda which Wagner is making—I may be permitted to speak of him for once without the "Exzellenz"—as an extremely dangerous one with respect to our political and economic future. Doctor Wagner,

National Monetary Commission

said to me: "You overestimate my influence." This is not the case. When a man of such deservedly great reputation as Wagner sends forth every year several thousand hearers from his lecture room into the world, men who listen to him without being able to influence him, who have felt the fascinating effect of his discourse, and who are destined to become our administrative officials and judges, I am sure that the influence which they carry away with them and spread abroad is so great that it can not be overestimated, and, as a matter of fact, we perceive an ever increasing multitude of people of all classes embracing the doctrines, not merely of state socialism, but of socialism pure and simple. Our esteemed colleague, Herr Singer, will not disapprove of this, but we do disapprove of it and have got to disapprove of it because we hold different views.

I believe that many of the teachings which Wagner, who is certainly no socialist himself, but a good conservative man, is inculcating, as, for instance, when he sets up the proposition that no joint-stock company ought to be allowed to distribute more than five or six per cent, can no longer be distinguished from socialistic views except by a microscopical examination. The notions in regard to the regulation of production and the restriction of the increase of population through governmental action and the far-reaching propositions in regard to governmental monopolies mean not only state socialism but regular socialism and lead us into a path which, we believe, we ought not to tread and which we do not want to tread.

Doctor Wagner has been letting us have the benefit again of his predilections for a supervisory bureau.

Bank Inquiry of 1908-9

Whensoever and wheresoever governmental supervision has been proposed and carried into effect, the result has been disastrous. There is no use in suggesting things which experience has shown to be untenable, and one ought at least to go to the trouble of proposing something now from which practical results may be expected. It is from considerations of this nature—as I have already pointed out—that we abandoned our system of chartering joint-stock companies. We have had the worst experience in the matter of governmental supervision, yet, in spite of this, governmental supervision is held up to us again and again as an *ultimum refugium*, which is to rescue us from alleged dangers. That is a weak remedy, to which recourse should be had only if we are given absolute assurance that it is going to be a panacea. If that were the case, even though defects were shown to exist in our present banking system, I should be the first to counsel such a policy. But this is not the case.

Let us try to make the possibilities clear to us that the scheme of a bureau of supervision may be assumed to afford. For its functions are to be either of a purely censorial character—that seems to be Wagner's intent—or else of a mandatory character. If it is to have merely inquisitorial functions, then there is really no use in our discussing the utter futility of such an arrangement. For all the banks, as, for example, my former bank—I believe, the other banks also—have a whole staff of people who have nothing else to do than to go every day into the offices in order to ascertain several times in the course of the month by means of random tests and the examination, one by one, of all the documents, securities deposited

National Monetary Commission

with the bank, etc., whether everything is as it should be and to make reports. Every report concerning one such examination in the case of a single bank makes a thick volume. The examination of a single steel chamber of every great bank, or even of a single compartment in which securities are deposited for customers, if each document is looked at separately, requires from six to eight weeks. Just think of the time required to look over all the compartments in which securities are deposited, and then we have not yet got to the bills, nor the participations, nor the loans.

Now imagine our having a bureau of supervision which shall have the task of supervising upward of 400 German credit banks in the manner Wagner would have them. The performance of such a task is a sheer impossibility. We must bear in mind that an inspection of the kind in question must be undertaken with reference to a particular day, with the result that by the time the examination is finished, at the end of six weeks, conditions have changed altogether, and that, if we want to know how they are now, we should have to begin all over again. This sort of thing can originate only in the brain of a theorist who has not had a chance to gaze into practical life, and just there lies the danger. This is not meant to be a reproach, for the requirements in the way of greater practical knowledge and a larger share of practical experience are of recent origin. There was no idea of such a thing when Wagner was a young man. Nothing personal was therefore intended in what I have been saying. I can assure you that nothing could be further from my thoughts with reference to a man whom I esteem so highly. But it is the duty of everyone—

Bank Inquiry of 1908-9

and this applies to jurists as well as to economists—to try to get a clear conception of the practical assumptions and practical consequences to which the proposals that he makes are going to lead, for, as the poet says, “things jostle each other in space.” He who does not know what space looks like and what the things are that jostle each other in it ought not to be permitted to put forth his theoretical propositions.

I must also remind you, gentlemen, that formerly in our law relative to joint-stock companies we had inspectors whose business it was to examine into the facts when a company was organized—they possessed merely an inquisitorial authority—and how we soon perceived that all that would lead to nothing. Let me remind you of that celebrated case where a prospectus appeared in which the names of the inspectors were entered in big letters because they were men of high standing. The document stated that the proceedings in connection with the organization had been passed upon by such and such gentlemen, and so everybody said: “Everything is bound to be right, as these are highly respected gentlemen.” It transpired afterwards that these gentlemen had handed in a condemnatory opinion, which, however, was not published. In those days publication was not required, a mere examination being deemed sufficient. The thing had simply been allowed to stop short at the declaration of the inspectors. [Laughter.] We have changed this, saying to ourselves that we must have something more than a mere examination. Suppose now, gentlemen, that this change were made also with reference to the supervisory bureau, for a merely inquisitorial authority is, for

National Monetary Commission

the reasons I have set forth, a monstrosity. Well, then, we shall have a bureau of supervision with mandatory powers. The responsibility will consequently rest upon a dozen gentlemen, of which this supervisory bureau is composed, and not on the managers of the bank, for they are to be supervised by the dozen gentlemen who constitute the supervisory bureau. It devolves, therefore, upon men who are less experienced and less well informed than the actual managers of the bank whom they are to supervise.

They would be unable, however, to discharge this function, even if they were willing. Let us just take the case of a great private concern and likewise that of a government undertaking. Do you believe that a manager of one of our so-called great banks is in a position to tell you every day what has taken place in the individual departments of the other managers? That is inconceivable. We have the division into departments in order that each manager shall be responsible for his own and that he shall be able to inform the other managers whenever there is a meeting in regard to the most important doings in his department. The same is precisely the case with the government undertakings. Do you really believe that a chief director in the post-office or the president of any other public-utilities institution operated by the Government can be posted in regard to all the details of the business over which he presides? Here, too, we have the division into departments, and the director or president ascertains only what the heads of the various departments communicate to him. What they do not communicate to him he can not ascertain or know. We simply can not conceive

Bank Inquiry of 1908-9

of its being otherwise. Would you have us believe then that there can be such a thing as a bureau of supervision which can be posted in regard to all the banks at every moment, in regard to the thousand intricacies of their business? Do you believe that such a supervisory bureau can afford a better oversight, not to say control, of the affairs of a single bank than is possible within the individual institution where provision has been made by a great many of the most ingenious devices for the exercise by the general directorate of the supervision which the individual manager can not possibly exercise and where the managers and officials possess the necessary detailed knowledge and experience?

But what will be the result? If the bureau of supervision is to be called upon to exercise actual control (being invested with authority to act, not merely to supervise)—the only kind of control which at first sight seems possible—this is what it will have to say to itself in laying down the principles that are to govern its action: We are the responsible persons, consequently we can not permit any risky business. We assume the responsibility when we sanction or carry out anything, consequently we can not permit any risky operation to be carried out. Do you suppose, gentlemen, that our private railways, our electrical works, our lines of steamships, or our aerial navigation would have come about if it were not for men who were willing to take chances? Do you suppose that such a development would be conceivable if behind every organizer of a business undertaking—for after the banks will come the other great concerns—you are going to place a controller who will tell him: "I can not allow any risky

National Monetary Commission

business to be transacted, because I can not assume any responsibility for it." Gentlemen, a business man can not exist unless he is willing to venture. We all know how the telephone was regarded as a plaything when it first made its appearance, something that interested everybody, but which nobody supposed was destined to have a great future. I remember how, at the time when I was a young lawyer, the firm of Sulzbach Brothers, at Frankfort-on-the-Main, entered into the first arrangement with the young engineer Rathenau relative to the electric light and the introduction of electricity throughout Germany. In those days that was considered a venture of the first order. Rathenau was universally regarded with distrust, and people kept saying: "This can not possibly have any future; such an electric pear will do perhaps for the Christmas tree, but for everyday use, never." The same distrust at the outset in regard to railways, the same distrust in regard to our aerial navigation. Had we not had such venturesome men as Count Zeppelin we should never have got so far. Yes, just imagine him coming with a balloon to the bureau of control. They would have made fun of him and told him to go, exclaiming: "Are we to assume the responsibility for such nonsense as this?" ["Very true." Laughter.]

No, gentlemen, you had better not subject our business men and our industry, which without this spirit of daring would never have brought Germany to its present high level, to such a system of control. Do not forget that we Germans would not have made any progress had we not had captains of industry endowed with a spirit of initiative and daring and far seeing men

Bank Inquiry of 1908-9

at the head of our banks, and see to it that you do not deprive our banks and other great concerns—for along with our banks we shall weaken our industries—of the strength which is still fortunately theirs, in order to benefit the outside world, which is only waiting to see whether we are not going to make the same mistakes over again as we have already made in such abundance. So much for the bureau of control. In regard to the various protests against the large percentages and high salaries which our bank managers receive, I wish to remark that it would make very little difference with respect to our national wealth or the dividends if the few individuals in question received smaller salaries and percentages and that the famous *propter invidiam* has something to do with the whole matter.

Doctor Wagner went on to say that the great contrasts, the social contrasts, which we witness originated mainly through the fault of the banks. Gentlemen, no one can regret it more than myself that we should have such far-reaching social contrasts. But I believe with Herr Singer that social contrasts, and sharp social contrasts, are inevitable under every capitalistic régime, and I am inclined to think that they are inevitable under any economic system. The one essential thing is that the dominant classes, in particular the millionaires, whom Adolph Wagner abhors on principle, shall be made conscious of their duties and imbued with the feeling that they have not merely social privileges, but also social obligations. We ought all to strive toward this end, we who have the unenviable lot of living in a period of transition in which all these social contrasts are still struggling

National Monetary Commission

with one another and consequently manifest themselves in such a striking manner. We ought night and day to be mindful of our duty to mitigate the social contrasts by bringing together as far as possible all classes of the population, inducing them to work at the same table, and compelling them to take a deep interest in the cares, aspirations, hopes, and needs of others, and we should above all seek to educate the rich and powerful to the feeling that they have not merely privileges but also duties with respect to the propertyless and weak. [Very true.] Having postulated this much, I must say that, in contrast with Adolph Wagner, I consider it an extraordinary gain that we have progressed so far by means of the labor of our hands, by our productive toil, and that at last we have rich people in Germany, too, while formerly the world at large had such a poor opinion of us because it could say that we are not strong enough financially to withstand even a small campaign carried on against us. And who is it, after all, gentlemen, who is going to subscribe to our loans? It is those who are fortunate enough to be in possession of adequate means. The mass of the people are not going to take up these loans in case of war. Let us, therefore, not weaken these wealthy people by means of shortsighted measures, else in times of trouble we should in vain be wishing we could draw out from their graves the very millionaires whom we have suppressed by such legislation.

But, gentlemen, is it not a gross exaggeration to talk of the "breeding of millionaires" and to say that we are getting down to American conditions or something similar? No, gentlemen, it is not so. I want to remind you of the

Bank Inquiry of 1908-9

fact—I gave the figures at the hearing of the experts and again a few days ago—that the savings of people of small means in Germany amount at present to fourteen or fifteen billion marks. It is from this class that the savings issue. In Prussia the deposits in the savings institutions more than quintupled between 1882 and 1907. In 1882 there was one pass book for every eight inhabitants and at the close of 1901 there was one for every two inhabitants. The aggregate amount, as statistics show, is made up of small sums, contributed by a class of people who have nothing to do with the flotation of securities. In place of a dismal picture of “plutocratic” Germany, which is beginning to groan under the number of its millionaires, I want to set before you the inviting picture of a sound, vigorous, and progressive Germany, the lowest strata of whose population has fortunately been in a position to lay aside fourteen billion marks of its hard-earned money.

But how about the export system? Gentlemen, the export of capital—we have got to conceive of it in this way, inasmuch as export includes the export of capital, the founding of establishments in foreign countries, investments in foreign companies, etc.—this is the export that appears so threatening to Doctor Wagner. Well, gentlemen, the export of our manufactured products is, for the time being at least—we have explained this repeatedly—absolutely indispensable as regards the feeding and employment of our vast surplus population. It is this overflowing population that has forced the export business upon us, because we have got to pay with our manufactures, that is to say, with our labor, for what is

National Monetary Commission

imported from abroad in the way of raw material and the necessaries of life. The character of our agriculture and the needs of our manufacturing industries oblige us at present to import great quantities of raw materials, including the necessaries of life, because there are many raw materials that we are unable to produce at home or in our colonies. This foreign credit balance, which is created through the importation of foodstuffs and other necessaries of life and of raw materials for our manufactures, has got to be paid by us. We can not pay it out in cash, however, for, if we did, we should slowly but surely be ruined. We pay, therefore, with our labor, that is to say, with the manufactures which our export industry and our export trade furnish to the outside world as the equivalent for its imports.

That in all this the bounds of moderation have not always been observed, that there have frequently been excesses in the flotation of foreign securities, foreign credits, investments in foreign undertakings, etc., can not be denied. I have on a previous occasion, with the concurrence of Freiherr von Gamp, set forth the conditions under which alone, in my opinion, flotation of foreign securities and a participation in foreign undertakings can have beneficial results. I shall supplement my assertions by saying that I agree fully with Count Kanitz in believing that our export, in so far as it means the export of capital, can be beneficial only provided it does not set in until our domestic needs have been met, and that it is, therefore, the business of those who set the pace in banking and industrial matters to see to it that our home market comes to its own. In so far as

Bank Inquiry of 1908-9

this takes place, however, our export of capital—our whole export business, I should say—is not only justified, but is of the utmost benefit to the whole country. We could not exist without it. Without it we should relapse into the modest rôle that we played centuries ago.

A word in regard to the question of the growth of population. I understand that Doctor Wagner has to-day circumscribed somewhat his previous rather oracular remark concerning measures directed against the increase in population. I can not, however, let it remain unsaid that wherever such measures have been proposed and carried out this has been about the surest indication of the beginning of the decadence of a people. Thank God, we have not got to that point yet. We shall show our adversaries—and we have plenty of them—that we are still full of strength and that we do not intend to get into a path that we shall afterwards be ashamed of having trodden.

Doctor Wagner protested against the remark I made to the effect that it is absolutely necessary that our economists and jurists—I did not confine myself to economists—ought not to be permitted to occupy their professorial chairs unless they have had a long practical experience in connection with industrial and mercantile undertakings and that I consider it much more important to begin our reforms at this end and not by making our examinations more and more comprehensive, strict, and numerous; in other words, to begin with the teachers and not with the students. But I demand the same thing in the case of bank managers and those who are at the head of our big concerns. I demand that they shall not enter upon their

National Monetary Commission

great and responsible office unless they are provided with the whole apparatus of theoretical and practical knowledge. The counterpart to this is the demand that no one ought to instruct our youth unless he has a clear idea of what practical life really means and that not until then shall his theories be permitted to be carried among his countrymen. And it is mainly because Adolph Wagner's theories in the matter of state socialism, in so far as they enter into our field, are purely theories which have not withstood the ordeal of practical application, that I fear our state, our society, and the promise of our future will be made to take a downward course by means of these theories. This is my firm conviction, and I believe that any school that champions its far-reaching theories without regard for the practical things of our existence and the stern demands of the daily struggle which industry and trade have to endure assumes a great responsibility which it can not afford to bear.

It is not true that in that case we should be obliged, as Wagner says, to have special professorships for the "individual economic tendencies," a professorship for the cause of protection and another for that of free trade. There is no idea of such a thing. I myself have the honor of being a university professor and am strongly attached to the principle of not being bound to the advocacy of any particular doctrine. Woe to every age and to every nation in which professorships designed to propagate certain doctrines should become a regular thing. [Applause.] That can not be. We have never had it and we shall never have it. Of course, nothing could have been further from my thoughts. But how can Wagner infer this from a

Bank Inquiry of 1908-9

demand that professors shall not occupy their chairs unless they come equipped with an abundance of practical knowledge? If they are thus equipped, they may teach what they choose, but in that case we shall not see the things taught that Wagner teaches—not social-betterment legislation, not the system of taxation *à outrance*, nor the dogma that joint-stock companies shall not be allowed to pay more than 5 or 6 per cent in dividends, which by others will logically be developed to the effect that no one, in fact, shall be allowed to earn more than 5 or 6 per cent. That would not only kill the eagerness to acquire, as I recently asserted, but the very quality of acquisitiveness. For who will want to work in the severe struggle for existence, who will be willing to endure for his own sake and that of his family a conflict that drags one down and makes a daily drain upon one's best energies, if he is obliged to say to himself that when he has brought his earnings up to the level of the regular rate of interest everything beyond that is no longer his? No, gentlemen, it is necessary that the egoistic impulses of men, which in this case are also national impulses—inasmuch as they promote our national prosperity—shall exist. We must exploit them in the interest of the community as a whole. In my opinion it is the weakness of the "state of the future" that it fancies it can dispense with them. For this reason I am convinced that the future of the state of the future will be measured only by days or weeks.

And to wind up, who is it that in this whole inquiry has actually made any positive suggestions capable of being carried out in a practical manner? Is it Adolph Wagner, with his regulation of production, his bureau of control,

National Monetary Commission

and his rather vague suggestions in regard to the increase of population and the necessity of restricting earnings? Hardly. It is we, we who have honestly sought an expedient that would satisfy those who really believe that we are being badly hurt already. I am willing to adopt their standpoint, for it is not good to shut one's eyes, and we must also listen to those who are pessimists. We sought to meet the wishes of these people by making this proposal to the banks ourselves: "Even if you do not anticipate that anything will come of the periodical publication of rough balance sheets, believing that it would not bring about the result that in the opinion of many it is calculated to achieve, go ahead and publish such statements nevertheless. See to it that you do not arouse the impression that you are trying to stem the current of popular feeling that is manifesting itself. Do it voluntarily and in accordance with a scheme which the judgment of experts pronounces the best possible. While the other banks have had similar forms of balance sheets, that of the Deutsche Bank has met with the most general approval. Then take this scheme, which experts have universally indorsed."

That is what happened, but we did not stop short here. I myself some time ago—possibly your excellency, Mr. Chairman, read the article in the *Tag*—asserted the practicability of an advisory council, to be created by ordinance, not by legislation, one composed of bank managers (former as well as present) and of bankers, which the Government might consult in regard to banking matters and which, perhaps, would be able to do good service in various fields, such as those which have here engaged our attention. Such a board might, among other things, ask

Bank Inquiry of 1908-9

to have the prescribed form of statement submitted to its inspection in order to see whether there is nothing in it that calls for emendation. There is one thing, however, that I want to express in regard to the prescribed form of balance sheet. Assume that a law is enacted providing for a prescribed form of statement—to which I am decidedly opposed—and suppose, moreover, that the keenest critic was commissioned to draw up a scheme. There is sure to be another critic, a criticizer of critics, more clever than the first, who will come and say: “Do you think the scheme which your man has drawn up is good enough? Under no circumstances.” We should consequently never be able to devise anything that would satisfy everybody’s requirements.

You see, then, that it is we who have in this manner taken the lead with practical suggestions and who are striving honestly to do more in the same field. In my first address I called upon his excellency to cooperate with me, as chairman of the Central Union of German Banks and Bankers, hoping that in this way we would gradually succeed in prevailing upon the banks that are not yet doing it to publish periodical rough statements in accordance with a uniform scheme. As a matter of fact, the force of circumstances will oblige them after a time to fall into line inasmuch as the public will want to know why they are not publishing such statements. People will imagine they have something to conceal. We want some assistance in order to make things move faster.

And who was it that repeatedly brought up the subject of financial preparedness for the event of war for serious

National Monetary Commission

consideration and public discussion? It was the third general conference of German bankers, held at Hamburg on September 5 and 6, 1907, at which I, as chairman of the Central Union, had the report which Herr Max Warburg, the Hamburg banker, had drawn up in such a splendid manner introduced in the programme of the discussions, and it was my neighbor, Herr Schinckel, who at my request wrote in my "Bankarchiv" concerning what the banks are able to do, and ought to do, with reference to the contingency of war and other crises. And, finally, it was I myself who published a more extended tract on "Financial Preparedness for War and the Financial Conduct of War" (Jena, Gustav Fischer, 1909). We have, therefore, been making honest efforts not merely to revolve these questions in our brains, but, as far as in our power lies, to discover some solution. We have endeavored to be constructively active, but whatever we have done has always been done with reference to what we know to be the highest end, the common good.

But we ought with the same zeal and earnestness set ourselves against proposals which we are convinced are suitable to the conditions of a previous century—I refer to the system of state guardianship—or else might be suited to a future century, which, we trust, will never come, and what I mean now is the proposition that would do away with our political and social order, the foundation on which we stand for the good, as we believe, of our fatherland. [Loud applause.]

Freiherr VON CETTO-REICHERTSHAUSEN. It is hard for me to take the floor after Doctor Riesser's address, so exalting and so full of sentiment. I am destitute of the

Bank Inquiry of 1908-9

gift to clothe what I have to say in the alluring garb that excites the interest of every listener. But I shall beg you to permit me at least to express myself with a free hand in regard to the questions that have been submitted to us by our president.

Taking a summary view of these questions, I believe there are two things that particularly claim our consideration. The one question is that relative to the supervision that is to be exercised over the policy and management of our banks—banks and credit institutions in a broad sense, inclusive, therefore, of private bankers, savings institutions, and Genossenschaften—and the other is the question which my esteemed countryman and colleague, Direktor Ströll, brought up yesterday, the question concerning the gold reserve. Everybody wants gold and struggles for gold, we proclaim with the poet; and the rest we have suppressed: Alas! We poor people!

Well, gentlemen, if I have to express myself in regard to the first question, I have to ask myself, What is the function of our credit banks? What is the nature of their task, considered with reference to the public duties which they have to discharge? The answer to this question has been furnished us in splendid form by Doctor Riesser and other gentlemen, including Herr Schinckel.

By the side of this task, however, there is another actuating impulse on which I am not sure that sufficient stress has been laid. Our credit institutions, and especially the joint-stock companies, do not consider their sole task to be the furnishing of credit and the regulation of our monetary intercourse. They are intent in a great measure on performing this task in such a manner as to be

National Monetary Commission

able to look to a profit for themselves, and as large a profit as possible, and this is a point on which various expressions of opinion that have been clashing with one another in the course of our several days' discussion have, perhaps insensibly, been concentrating.

I have already stated, gentlemen, that our agriculture, which in my eyes is the prime subject for consideration, is in reality rather aloof from the credit banks, having mainly to do with savings institutions and the cooperative credit associations. The reason is that the business of the majority of our agriculturists is on a rather small scale. They are not able to dispose of a large amount of capital, and they have therefore felt themselves obliged, instead of having recourse to outside assistance obtained at a high price, to place themselves in a position to command credit by means of their own strength and exertions and by making the most of a sense of solidarity and a community of interests. They have set to work, through the credit afforded by their associations, to procure the means required for putting their farms in good condition and keeping them up, as well as the funds that are to serve as their working capital. And herein, gentlemen, lies the real difference between the policy pursued by the banks and bankers, on the one hand, and that pursued by the savings institutions and Genossenschaften, on the other.

Here is an illustration drawn from my own experience. There is no doubt that our great mortgage banks make ample provision for credit based on mortgage when such credit is required on a large scale, but what is done by them in the way of satisfying the needs of the small

Bank Inquiry of 1908-9

agriculturist amounts to very little, and that is the reason why the small agriculturists have combined and that the modern Genossenschaften have come into existence on the principle of the flourishing Prussian agricultural loan associations (*Landschaften*)—that is to say, on the principle of cooperation in the matter of credit, which has stood the test of ages. The instance I am adducing has reference to my own narrow country. In the kingdom of Bavaria we have at present eight mortgage banks, large and small. Of these eight mortgage banks there was formerly only a single one that made provision for the needs of the small agriculturist. This was the Bayerische Hypotheken- und Wechselbank. We must bear in mind, however, that this bank did not by any means perform the service voluntarily, but that its activity in this direction was the result of an agreement into which the bank had entered. It was an obligation which the Bayerische Hypotheken- und Wechselbank had to assume at the time of its foundation in return for the privilege of issuing bank notes. In order to get this concession it bound itself to furnish credit to the small landowners. Outside of the Hypotheken- und Wechselbank, however, not one of the existing Bavarian mortgage banks thought it worth while devoting much attention to the matter of credit for the small agriculturists. Hence arose the need of establishing the Bayerische Landwirtschaftsbank, which announced it to be its programme to afford every one, even the smallest landowners, credit based on mortgage that would be cheap, granted for a long term, irrevocable, and carrying a provision in regard to ammortization. At present, after twelve years'

National Monetary Commission

activity, we have reached the point of being able to say that about one-fourth of the aggregate demand for agricultural credits that the Bavarian mortgage banks are obliged to meet is satisfied by the Bayerische Landwirtschaftsbank. I shall take the liberty of submitting to you on the proper occasion the statistical data on which I base my statement. They are not at hand at this moment, but it will be worth while inserting them in the report of our proceedings.

And now, gentlemen, I come to the other point, the one I mentioned before, namely, the fact that our great banks, apart from their public task, in regard to which I do not mean to say that they are not mindful of it, entertain—*sit venia verbo*—the egoistic principle (which I do not at all begrudge them) of carrying on their business in the first place for their own profit. I believe that owing to this principle the necessity has made itself felt of supervising the management of the great banks and credit institutions in such a way that they shall be prevented from going too far in their egoistical activities—I trust you will not apprehend this in any hostile spirit—in other words, that a *ne quid nimis* shall be observed. I believe I am not far from the mark when I say that, apart from the matter of the soundness of the investments, or, in other words, the safety of the bank accounts, a control is required in order to hinder an altogether too egoistical policy, which would be prejudicial to the interests and ill-suited to the needs of the customers and consequently detrimental or dangerous with respect to the public good.

In regard to this matter of a system of control, there is the question in the first place as to whether such an

Bank Inquiry of 1908-9

arrangement is desirable and whether it is necessary. The next question is as to whether it is feasible. There is no denying the fact that many will regard a supervision over the credit institutions as desirable and, under certain circumstances, as even necessary, and, looking at the matter with reference to general principles, I am bound to declare that such control, whether it be in the shape of normative regulations, or of a supervisory board, or of a supervisory bureau with its government officials, is something that admits of discussion. But another question, gentlemen, is this: In what manner is the control to be exercised and effectuated? And, with reference to all this, I can only say that I concur in the utterances which Doctor Riesser has just made in such eloquent language.

I shall now proceed, gentlemen, to discuss in detail the measures that are submitted to our consideration, and, first of all, the normative regulations. We have been reminded of the fact that we had similar regulations for the Prussian mortgage banks, which were embodied subsequently in the German law relative to mortgage banks. But in what way does the main provision of this law affect the conduct of the mortgage business? I can not see any particular point in prescribing that the aggregate of the debentures issued shall always be covered by the aggregate of the mortgages that have been made out. The fact is easily verifiable and, indeed, the whole thing goes without saying. This is, of course, involved in the very idea of a system of mortgage debentures and the control is not difficult. But another matter, and this is the main point, is the following: To what extent is the security of the mortgages guaranteed by the legislative provision? Here

National Monetary Commission

we have to deal with two very essential factors. The first is the question of the limitation of the amount up to which the property can legally be mortgaged. The other is the question relative to the proper appraisalment of the property that is to be mortgaged. With respect to these two points not only have the normative regulations been ineffective, but, in my opinion—I have an experience of fourteen years to look back to—the provisions of the law relative to mortgage banks are likewise altogether ineffective, especially in the matter of appraisalment. These provisions are so elastic—as necessarily they must be—that it is absolutely impossible, even with the best system of supervisor, to make sure that the values of the properties on which the debentures are based are actually such that the limitation of the amount up to which a loan can be made to one-half of the value of the property mortgaged will afford an adequate guaranty for the debentures.

From all this I draw the following conclusion, gentlemen: If you admit that this proposition, so significant with respect to the mortgage business, is a correct one—and it can easily be fortified by reference to actual cases, in particular those occurring in the urban mortgage business (the rural business affording fewer examples)—do you consider it possible that such normative regulations, which are not adequate for the mortgage business, can be made effective when applied to credit based on movable property? Do you believe they would work in the case of a credit business having infinite delicate ramifications, such as is carried on by our credit banks? Do you consider it practicable to enact such provisions

Bank Inquiry of 1908-9

with reference to the flotation of securities, the stock business, and accounts current?

To explain my position, I need only refer you to the well-informed utterances that you have heard from the lips of Geheimrat Riesser. I must confess that I do not believe that we shall ever be enabled, even with the best of regulations, especially with legal regulations, to prevent in every case the occurrence of evils and abuses. It is for this one reason that, while, as a matter of theory I am heartily in favor of a system of supervision, I hesitate to advocate it, having my grave doubts as to whether such a system could be made practically effective, and, in particular, as to whether, if applied to our great credit institutions, it would not do more harm than good.

I wish to say a word now, gentlemen, with reference to the creation of a bureau of supervision. Several of the members have discussed this subject already and have dwelt upon the difficulty we should experience in getting hold of the large number of officials that would be required to make up the supervisory bureau, or rather bureaus, for I am sure that a single bureau could not possibly suffice, considering the magnitude of the credit business in the German Empire. The least that could be done in my opinion would be to install such a bureau of supervision in each State of the Empire and perhaps to have a central bureau. But then I must ask whether you believe that it would be practicable to introduce such a supervisory machinery in the shape of a body of government officials and that it could be made to work effectively in this form? The main thing to be considered would be the personnel. Herr Roland-Lücke

National Monetary Commission

made the commendable suggestion that in place of creating a regular administrative bureau we should install a supervisory board.

A VOICE. A commission.

FREIHERR VON CETTO-REICHERTSHAUSEN. I believe that this supervisory board or this advisory council—

Mr. ROLAND-LÜCKE. No advisory council; an independent commission.

FREIHERR VON CETTO-REICHERTSHAUSEN. Or whatever you choose to call it—the precise term doesn't matter so much and I beg you will not take the expression I use so literally—well, let us say, this supervisory board will on the whole work better and is capable of working better than a regular bureau of supervision. But here, too, the composition of the body is of prime importance. The question would have to be considered as to whether these persons are to hold their office as something aside from their main business or to make the discharge of its duties their chief occupation. I assume that in view of the importance of the duties imposed upon them the members will devote their main energies to their office. Then comes the question as to how long these people are to hold their positions. Herr Roland-Lücke says that they shall be appointed for two years [One year]—or one year. One-half shall retire each year and not be re-eligible, in order that fresh blood may enter. The body shall continue in this way and not be given a chance to become fossilized. This is all very well, gentlemen, but I have my grave doubts as to whether you will find a sufficient number of persons who have had the practical experience that will fit them for discharging their functions

Bank Inquiry of 1908-9

in such a way as to exercise an effective supervision over the existing credit institutions.

A VOICE. That is not what they are to do.

FREIHERR VON CETTO-REICHERTSHAUSEN. Gentlemen, if you merely glance over the reports of our great banks you will have to admit that the magnitude of their operations renders an acquaintance with their whole business policy and management such a difficult matter that even a well-qualified manager when he first enters upon his duties requires some time before he can say that he has acquired a complete oversight of the business of his institution. Now, let us assume that we have installed such an advisory council and let it go ahead with its work and that at the expiration of a year, after its members have perhaps with great difficulty succeeded in acquainting themselves with their task, one-half of their number are to retire in order to make room for another half more or less or possibly altogether unacquainted with the business. I beg you to consider—I am willing to be set straight—whether this in itself does not constitute a great and perhaps insurmountable obstacle to the success of the whole scheme. You will have to admit also, gentlemen, that if we mean to go ahead in real earnest we shall have to put this question to ourselves: Will it be possible to carry out this scheme in a way that shall satisfy the far-reaching requirements which such an institution will be called upon to meet, and, in particular, the legitimate demands of the public in behalf of its own security and shall afford a guaranty that the evils of which we complain or which we believe to exist will really be permanently eradicated?

National Monetary Commission

I thought it well to lay special stress upon this point, gentlemen, because we are inclined to indulge in expectations with respect to this matter, which, however justifiable they may appear, may not be realized, in which case the responsibility for the institution will have to be borne by those who have advocated it, a responsibility so great that we feel that the legislator who shoulders it will subject himself to the danger of being overwhelmed with reproaches should the institution at any time signally refuse to work in the manner anticipated.

I should like to say a word now in regard to the position of the Genossenschaften with reference to the proposed scheme. Attention has been called to-day to the fact that in the case of the smaller Genossenschaften a supervisory institution already exists in the inspection unions and furthermore in the central clearing establishments. As regards the inspection unions, I have no doubt as to their working very well. The supervisory activity of these inspection unions does not extend merely to the regular business management of the individual small associations. They supervise the entire policy of the associations, in particular their policy in the matter of granting credit. It is a decidedly good arrangement, one that promises satisfactory results. As far as this branch of the cooperative credit institutions is concerned, I consider any other arrangement superfluous, although I doubt not that the associations will come at once and say: "Of course, if you have something to propose that is better than what we have, we shall not hesitate for a moment to embrace it. On the contrary, owing to the great risk involved in our

B a n k I n q u i r y o f 1 9 0 8 - 9

collective responsibility, we are intent on securing the most far-reaching guaranties against the occurrence of abuses and losses." It would certainly be a good thing for the savings institutions if a similar arrangement could be created for them. It would be a much easier matter in the case of the savings institutions because, as we have been informed, only a few large savings institutions in the big cities engage in business of the nature of banking. The only thing requiring supervision would be the investment of the savings, in regard to which there are already very comprehensive and, in my opinion, quite satisfactory regulations in the individual states. Nothing remains, therefore, but the banks, concerning which I have already expressed myself.

I have still to touch upon another matter. In connection with the question relative to normative regulations the following points are mentioned under No. 3: Cash reserve, investment in bills, investment in government loans and similar securities, investment of the surplus. I do not propose to discuss the individual points in detail. This has already been done by speakers much better informed than I am. There is one thing, however, that I should like to dwell upon. If the provisions in question are applied to the cooperative credit associations these will in a great measure be deprived of the resources which they possess and which they need in order to discharge their functions. They would no longer have the means required in order to meet the daily demands of their customers.

I do not propose to say anything in regard to the publication of statements, a subject which the programme of

National Monetary Commission

our president excludes from our discussions to-day. Nor do I intend to take the floor when this question comes up for discussion, because, as I must frankly confess, I do not feel that I am able to grapple with it. My experience does not extend to the domain of the great credit institutions, but is confined to the modest field of the mortgage banks and Genossenschaften. There is another matter, however, which I wish to discuss, and this brings me to the second point of the programme with which I started, the question concerning the augmentation of the gold supply.

I believe that in that part of the interrogatory given under B 3 reference is had to the matter of an enlarged gold supply. The questions are those relative to a cash reserve, the investment in bills, investment in government loans, investment of the surplus, and other kinds of measures—the deposit of a certain percentage of the outside moneys with the Reichsbank, government deposit institutions, the assumption by the Reichsbank of the business of taking interest-bearing deposits. I believe there is an implication here that all this, taken together, is to be discussed more or less with reference to the possibility of strengthening the gold supply. Now, I am willing to admit that something may be achieved by such arrangements. But as to whether under the circumstances that exist in the German Empire it is possible thereby to attain the object aimed at—the permanent increase in the stock of gold in the Reichsbank—you must allow me to express my modest doubts. I believe that the reason of the insufficient supply of gold is to be sought elsewhere. With the rapid development of our industry and trade,

Bank Inquiry of 1908-9

the demand for cash in the German Empire has become so great as to be the main reason why our supply of gold is inadequate to satisfy the needs of our monetary intercourse. I am of opinion that in this regard we might perhaps learn something from our western neighbors, that we ought perhaps in the future restrain our spirit of enterprise somewhat, even if I have to admit that we have for the most part been fortunate enough hitherto to see the undertakings that have been started in the German Empire crowned with success, and that this spirit of enterprise has largely contributed to raise our national prosperity to its present height with such rapid strides as to excite the envy of foreign nations.

In this connection I should just like to touch upon one point that Doctor Riesser has dwelt upon—the question of our export business. Doctor Riesser stated incidentally that we are obliged to expand the volume of our exports, inasmuch as the imports, which are indispensable, must be paid for with the exports. This proposition is perfectly admissible. There is one point in regard to it, however, that I think we ought to consider. I believe that the equilibrium between exports and imports may also be established by reducing the volume of the imports. This would be in accordance with the principle that obtains in the United States, the so-called Monroe doctrine—America for the Americans. The American reasons according to this principle: What I can produce in my own country I am going to produce in my own country in order not to have to buy it abroad. He is intent on promoting his home industry by every means and spares no effort in that direction in order not to be obliged to pay

National Monetary Commission

foreign countries for commodities imported that might be produced at home. ["Very true."] Proceeding from this standpoint, I am led to the conviction that we ought to bend all our energies toward the promotion and support of the productive activities of our country—and I have reference above all to our agriculture—in order to reduce, as far as possible, the importation of articles that enter into our consumption.

Doctor MOMMSEN. Copper, for example. *

Freiherr VON CETTO-REICHERTSHAUSEN—You will not deny that this is practicable. I called attention in my first address to the enormous increase in the quantity of German agricultural products. A great deal can still be done, gentlemen, in this direction. Here is something with which I am particularly concerned. Among the various honorary positions that I hold I am president of the union of Bavarian fruit growers' associations. I have inquired into the question of what we pay every year for the fruit that we import. It runs into the millions. Let me give you a little illustration which will be very instructive in this regard. A number of years ago I was talking with an American. The conversation turned on the matter of exports—I was at the time in Budapest—and I noticed that a number of hogsheads, all of one size, were standing there, which on inquiry I found to contain nothing but plum butter. All this plum butter was bound for the United States. "How is it," I asked the American, "that with your vast agriculture, or rather fruit culture, you are obliged to get so much plum butter?" "That is a very simple matter," he replied. "If our plum trees would thrive we should not find it necessary to import European

Bank Inquiry of 1908-9

plum butter, but unfortunately they will not thrive." Ten or twelve years later I learned that the people in the United States had actually discovered a variety of plum that would thrive in that country and that since then the cultivation of plum trees had assumed such proportions that the export of plum butter from Germany and Hungary had practically ceased. This is merely a little illustration, drawn from my own experience, which I thought I would place before you in order to show how much scope is still afforded for cutting down foreign importations by an increase in our domestic production and thus rendering the balance of trade more favorable to us.

I should like to say a word still in regard to a matter in which I am myself actively interested. Doctor Riesser was speaking of the professor who has to treat his subject from a prescribed standpoint, an utterance which elicited a smile from some of the gentlemen assembled here. Now, you are aware that an association was formed——

Doctor RIESSER. I made no reference to anything of the sort.

Freiherr VON CETTO-REICHERTSHAUSEN. No; of course not. An association whose aim was the promotion of a so-called exact economic research. The formation of this association led to the famous controversy at Leipsic in regard to a professorship whose teachings are supposed to represent a certain prescribed tendency. Gentlemen, after the extremely interesting addresses of our highly esteemed Doctor Wagner to which we have listened these last few days, I can not help believing that the endeavor to initiate exact economic research is not altogether such a futile thing. The utility of such economic

National Monetary Commission

investigations was emphasized in Doctor Riesser's utterance to the effect that we must oppose national impulses to egoistic impulses. It was this idea that led to the founding of the association, and it is with reference to this alone that I have sought to remove the misconception according to which a professorship with a "tendency" is something odious.

I have said everything that I wish to state, gentlemen. To sum up I pronounce the suggestion of our esteemed colleague, Herr Roland-Lücke, as excellent as it is original, and I may say the only plausible proposal that has been made in the whole course of our discussion. But while, on general grounds, I am in favor of a system of control and would gladly lend my assistance toward the carrying out of such a system *quovis modo*; while, I repeat, I am in favor of supervision of the kind in question, I must nevertheless warn you against making regulations, if I may so express it, *ab irato* and in particular against making them through the process of legislative enactment. There is something peculiar about legislation and especially about imperial legislation. Just imagine what a mass of material must be got together, what an amount of work has to be done, and what conflicts and compromises there will have to be in the Reichstag before an imperial law is enacted, and then think how difficult it would be to repeal such a law, how much time would elapse before it was possible to demonstrate that the law in question ought to be amended, and that some of its provisions were mischievous or dangerous. It is for this reason that I am dubious in regard to this question, although, as I have said before, from the standpoint which I have to represent

B a n k I n q u i r y o f 1 9 0 8 - 9

here *in specie*, from the standpoint of the agricultural credit associations and the agricultural interests, I have no objection whatever to the introduction of some sort of supervision; and I believe I may say, in the name of the agricultural credit associations, that, as far as the principle of it is concerned, there will be no opposition whatever on their part to the promulgation of regulations of the kind in question. I should, however, object to any provisions that would be calculated to interfere with the activity of the Genossenschaften and which would consequently not be acceptable to them. What the associations need is a better condition with respect to fluidity. I am willing to admit this, and, indeed the associations have all along striven to bring about such improvement. I hope and I feel confident that they will succeed—for example, by increasing the size of the shares—in making a better showing on their books in the matter of fluidity than they do at present.

To wind up, therefore, I shall say that, just as the representatives of the banks are for good reasons skeptical in regard to the proposed regulations or averse to them, I should make it a necessary condition with reference to the Genossenschaften, in case such regulations were to be put in operation, that they must be of such a nature as not to interfere with the sound and efficient conduct of the business of these associations.

Doctor WACHLER. I feel some hesitation, gentlemen, in bringing up once more the general topics that have been discussed to-day. I shall confine myself to the proposal made by Herr Roland-Lücke yesterday, with reference to which I begged permission to take the floor

National Monetary Commission

again to-day. I declared yesterday that the scheme appealed to me very strongly. I have nevertheless had a feeling that after all there might again be some sort of a supervisory bureau lurking behind this thing. Herr Roland-Lücke explained to me at once that this was not at all in his scheme. But, gentlemen, you have heard to-day from Doctor Wagner and just now from Herr von Cetto that they take the proposal to mean something very different from what Herr Roland-Lücke has in mind. Doctor Wagner said: "My notion is not so far removed from that of Herr Roland-Lücke; this is a quasi supervisory bureau." Our esteemed colleague, Herr von Cetto, has also said that he does not quite understand how this advisory council is going to supervise the various banks and credit institutions, how it is to get acquainted with the details of their business, and how it can form a judgment in regard to their management. You see, therefore, that the notion obtains more or less that this advisory council is to supervise the management of the credit banks.

Mr. ROLAND-LÜCKE. That is a misconception.

Doctor WACHLER. Certainly, and you will therefore allow me to draw the inference that there is in reality an element of great danger in this scheme because it is regarded as the beginning of a bureau of supervision. At present we are all pretty much agreed that there is to be no supervisory bureau. Even Herr von Cetto is in favor of regulations and supervision only on general grounds. Before long, however, he will not merely be advocating them on general grounds, but will embrace them *de facto*. The scheme of this advisory council should be elaborated

B a n k I n q u i r y o f 1 9 0 8 - 9

in such a way as to make us feel that certain specific objects will be accomplished. If the proposal were to involve a decided tendency in the direction to which I refer, I should be absolutely opposed to it. I believe, however, that this is altogether foreign to the author's intent, and I am sure that I understand him perfectly. I declared yesterday that if this scheme contemplated in the remotest degree the installation of a governmental supervisory organ I should oppose it most strenuously. I find that the proposal, taken in its true sense, is far removed from such an interpretation. I consider it altogether acceptable and practical and am by all means in favor of it. I should insist, however, in case the directorate of the Reichsbank approves of this course, that the advisory council, in the sense contemplated, shall be an advisory board for the Reichsbank management only and not for any organ of the administration. I should consider that objectionable from the circumstance that the external appearance of the thing would suggest an imperial authority, an organ with bureaucratic arrangements, while it is our express purpose to make this advisory council an aid to the Reichsbank alone, something that shall enable it to have a better oversight of the whole economic situation. The Reichsbank, to be sure, already possesses an advisory council in its central committee. The activity of this body is, however, restricted within certain definite bounds, while the proposed advisory council is to be allowed greater latitude and more initiative. There is to be, moreover, a central bureau, which shall receive and examine the published statements, which are to be submitted by the credit institutions

National Monetary Commission

every two months, and, of course, such a central bureau can work effectively only as an adjunct of the Reichsbank. I stated yesterday—and some of the gentlemen have expressed the same opinion—that, as it is, the Reichsbank, in case it discovers that the policy pursued by our large and small banking institutions in the matter of granting credit is a defective one with reference to the general economic and financial situation, has adequate means of administering a remedy through admonitions, instructions, etc. But our esteemed chairman has told me: “The trouble is that by the time we come it is too late; it is incumbent on the great banking world to see to it that a situation shall not arise of which we shall become sensible only when we are no longer in a position to avert certain critical conditions.” Now, my idea is that Herr Roland-Lücke, through the very circumstance that this advisory council is to be composed of men of scientific training and experience in connection with our industries and banking, intended that these persons, whenever they thought they detected anything wrong in the published statements presented for discussion at their meetings or whenever their personal experience revealed strange conditions within the sphere of their own business activities, would go to the Reichsbank and suggest that precautions be taken right then against such and such a contingency. I fancied, moreover, that the Reichsbank would be helped in its portentous and disagreeable activities by having behind it an advisory council which in a measure will force it to take action. Although I am persuaded that the presidency of our Reichsbank requires no cloak, still we are all human

Bank Inquiry of 1908-9

beings and know how pleasant it is not to be always the person who is to blame but to be able to shift the responsibility upon a body of men, picked out from the world of business, who have made suggestions that we have no right to disregard. Viewed from this standpoint the scheme that has been proposed meets with my entire approval. Nor do I believe in the objection raised by Herr Gontard that, if there are to be bankers in the council, disagreements are likely to arise and differences of opinion between the representatives of the large banks and the Reichsbank. I should not worry about this. In the first place I do not think there would be any serious disagreements, and if differences of opinion should manifest themselves, it would be of the greatest benefit to our economic life if they were to be made patent. It could only result in the clearing up of the situation.

It would be superfluous in my opinion for us to do anything in the matter of the prescribed form of balance sheet if we are willing to accept Herr Roland-Lücke's proposal. We have such prescribed forms of bank statement already. The balance sheets are being published in accordance with a generally adopted scheme. Herr Roland-Lücke declared that he would be perfectly satisfied with an amplification of this scheme. But we had better leave this to the advisory council, the commission, which will make this a specific part of its business. It would not do for us to begin by imposing upon the commission a certain compulsory scheme of bank statement. Let us leave that to their expert judgment, fortified by the experiences gathered in connection with the publication of statements that has heretofore taken place.

National Monetary Commission

Herr Gontard suggested that the listing committee might be brought into requisition in connection with this matter. I consider this, gentlemen, altogether ruled out, if for no other reason, because the listing committee is an organ provided by the law. If we were to make use of the listing committee, this could only be done by means of legislation. As far as I have gathered, however, we are all opposed to a recourse to the law, and all the more so because we have learned by manifold experience that we can tell how a law is going into the Reichstag but that no one can tell how it is going to come out. Besides, the listing committee is not at all suitable for this. It has a definite field of activity, which is prescribed by law. I have been a member of the listing committee in Berlin ever since its establishment, and I am sure that Berlin has the advantage over every other place in the matter of experience. At all the meetings that have been held of the central unions of the listing committees we have invariably found that most weight was attached to the experiences of Berlin. I can assure you that there could be no greater mistake than to have recourse in any way to this organ for the purpose of promoting the object before us. In addition, it is absolutely impossible to impose this task upon the listing committee, which has plenty to do as it is.

I should like to say a word with reference to the publication of statements by the private bankers. This is not a very simple question. On general grounds it is natural to ask why, if the banks, which are legal entities, are to be obliged to publish statements, should not private persons be compelled to do the same? It is my

B a n k I n q u i r y o f 1 9 0 8 - 9

opinion that we ought not to generalize in this matter but that we ought to have regard for the particular conditions that manifest themselves. Herr Roland-Lücke himself, the author of the proposal we are considering, pointed out that the prescribed scheme of balance sheet might do for one kind of business and be altogether impracticable with reference to another. This applies precisely to the case of the private bankers. I can think of no legal grounds on which, if the law prescribes the publication of statements, the private bankers could be exempted from its action. And that is the reason why I am opposed to the enactment of legal provisions in connection with this matter. What I say is this: Let us have no law to this effect; let us simply say that the statements are to be published as the necessity arises, and then we shall be in a position to exempt the private bankers entirely if we choose. To say the truth, I can not see what difference it makes with respect to the welfare of our people whether or not we get a statement of his condition from a banker in some very small town, who does a business of perhaps 300,000 marks at most by selling securities, loaning small sums, effecting other little transactions, occasionally discounting a bill for a peasant who has brought his grain to town, etc. I really consider this quite immaterial with reference to the public good. I am, therefore, in favor of our not drawing up any resolutions in regard to the matter and of leaving it to the friendly consideration of the advisory council.

Herr Gontard laid stress on the importance of printing on the bank statement the words "No account is here taken of deductions for depreciation." This is a matter

National Monetary Commission

of course. We are not concerned here with a regular balance sheet but with a statement, and can not take account of items that are to be written off.

I shall say, then, in the way of summing up, that I am in favor of Herr Roland-Lücke's proposal, although I have some apprehensions that inferences will be drawn from it at variance with its intent. I have not come to this conclusion on the ground that, as Count Kanitz expressed it, the Reichstag has once for all adopted a resolution, in consequence of which the Bundesrat has to submit a bill to the Reichstag, and we are therefore bound to furnish the Bundesrat with the necessary material. That is not my position in the matter. I consider it to be the business of an expert inquiry commission like ours in such cases, if I may so express myself, to stiffen the backbone of the Government and to give fresh evidence by our vote that such a resolution on the part of the Reichstag does not admit of being carried out. The Reichstag is our authority of last resort in matters parliamentary, but what it has done thus far in the field of economics is indeed not of such a nature that we must bow our heads humbly and say, "The Reichstag has adopted such and such a resolution, consequently we are bound in accordance with the vote of the Reichstag to supply such material as will gratify its wishes." As I have said, this is not my standpoint, but I think we should do well, all the same, provided that false inferences are not drawn from what is suggested—such as Doctor Wagner and, I fear, Herr von Cetto have drawn from the proposition of Herr Roland-Lücke—to adopt the proposals that we consider practical and capable of being carried out, even if there be danger of misunderstandings.

B a n k I n q u i r y o f 1 9 0 8 - 9

In regard to No. 4, concerning which I said nothing yesterday, there is no need, in my opinion, of regulations designed to protect the public against loss through the offer of a higher rate of interest on deposits and savings on the part of so-called corner bankers. In this matter, too, the advisory council which we are about to create will perhaps be able to do good service in the way of enlightening the public, in order that it shall not allow itself to be prevailed upon by such inducements to place its deposits in the hands of certain people. I should vote against the consideration of measures of the kind in question.

Mr. SINGER. I beg to be allowed, gentlemen, to make some remarks with reference to the utterances of Herr Wagner and Herr Riesser. The main difference between Herr Riesser and Herr Wagner with respect to the question of social betterment, as indicated by what Herr Riesser said at the end, may be stated to be that while Herr Wagner, who represents my views and those of my party, urges legislation for the improvement of the economic condition of the laboring classes, Herr Riesser believes we must educate the well-to-do classes and, above all, those who are at the head of our industrial concerns, to the consciousness that they have social duties toward the working people and the propertyless which they are bound to discharge voluntarily, without the compulsion of the law. This is a very fine principle indeed, Herr Riesser. It is in accord with the theories of the Manchester school, which fortunately can no longer be upheld by those who formerly supported them. The principle that the law ought not to intervene and that it is the duty of the well-to-do people to promote the welfare of the poorer classes

National Monetary Commission

and, in particular, the laboring class, by providing better conditions of existence and of labor for the masses has been carried *ad absurdum* by the Manchester school itself. The course of events has shown—and this has been the impulse for our social-betterment legislation—that the reliance on the spontaneous readiness of the propertied class to defray out of their superabundant wealth, obtained for the most part through the labor of the working people employed by them, the cost of providing the means required for the elevation of the laboring classes has not been justified. On the contrary, what happens is—and this explains the gradual change that has taken place in the views of the representatives of the Manchester school—that those capitalists who, having embraced the principles of the Manchester school, have retained that humanity and sense of duty to which Herr Riesser referred to-day in such enthusiastic and elevated language, when it comes to discharging these obligations find themselves handicapped in their business. While they shoulder the burdens which social reforms within our existing society undoubtedly entail upon the propertied classes and capitalists, their competitors, holding different views, exploit their advantages—cheaper labor, longer hours, etc.—and are therefore in a position to undersell them in the market. There is no use in appealing to the moral obligations. Legislative enactments alone, to which everybody must submit, can furnish an effective remedy.

If Herr Riesser has found fault with the socialistic organization of society on the score that under such a system it would, in his opinion, be impossible to discharge the obligations that society has with respect to the welfare

Bank Inquiry of 1908-9

of all its members, I shall say in response that, after having heard Herr Riesser set forth the principles of social obligations in such a splendid manner, I am ready to place my trust in this matter in the Riessers of the future. I am convinced that when the organization of society shall have been transformed from the capitalistic into the socialistic, the Riessers of the future, that is to say the men of science and the theorists, will teach with equal enthusiasm that socialistic principles ought to prevail in society. The welfare of all will then be raised to a guiding principle that will become dominant with respect to all social institutions and in every department of the spiritual, political, and economic life of the people. In this regard I have no apprehensions whatsoever. Indeed I believe that the development of the details of the socialistic organization of society is merely a matter of education.

At the present time the principles in regard to education correspond to capitalistic society and their essential aim is to equip the young generation, particularly in so far as it belongs to the propertied classes, for the rivalry in the matter of income and wealth, and in this way to protect and promote the capitalistic organization of society and its system of production.

If we were to convert these principles into the opposite ones and adopt as the guiding principle in regard to education the commandment, "Each for all, and all for each," the framing of measures in behalf of social betterment such as are now extorted by law would be considered part of the plain duty of everyone. The capitalistic organization of society, by means of its system of production, concentrates ownership and wealth in the hands of an insignificant

National Monetary Commission

minority and, at the same time, by means of its political arrangements, gives to this insignificant minority the greatest advantages with respect to political and economic matters and invests it with the most extraordinary legislative powers, which, wielded in the interest of this minority, renders the masses, the laboring people, politically and economically almost powerless and incapable of protecting themselves.

It is quite natural, gentlemen, that if, in connection with the questions that have engaged our attention, several of the members have seen fit to extend the discussion to the various views of the world, the differences of opinion should have manifested themselves in sharp contrast, and I thought I was only doing my duty in not listening to these utterances without raising my voice. I consider it an extremely meritorious action on the part of Professor Wagner that he, imbued with the scientifically founded conviction that it is the duty of society to look to the welfare of all—and it is the masses, the laboring people, that constitute the most important and essential element in the population—has opposed his view to the view that the existing capitalistic organization of society was able and willing to perform this task. I do not agree with Herr Riesser in believing that these obligations can be discharged by an appeal to generosity and a sense of duty. The vigorous intervention of the law alone will avail.

I consider that I am in duty bound to add that, while I fully appreciate the views that Professor Wagner has developed in regard to social betterment, I do not concur with him in the view he has expressed respecting the

B a n k I n q u i r y o f 1 9 0 8 - 9

increase in population. I regret his position in this matter all the more, as it detracts considerably from the weight of his utterances in general. I have the misfortune to be compelled to attack Professor Wagner in his absence and shall therefore be brief. Perhaps he will read my rejoinder later on. I believe with him that the mortality among infants, the physical wreck of so many mothers, etc., are evidence of a most deplorable state of things. The incontestible fact that so many human beings die in early infancy calls, however, in my opinion, for very different remedies from the one suggested by Professor Wagner—the restriction of the growth of the population. He is aware himself that this sad phenomenon is attributable mainly to the dismal social condition of the great mass of the people, the laboring population. The women who bring children into the world that are not fitted to survive are for the most part incapacitated by their social condition from giving birth to healthy and perfectly viable children. They are not in a position during pregnancy to provide adequately for the needs of the new life that is unfolding. They are not able to give that care to the infant which might perhaps avail to save its life. But while we agree entirely with Professor Wagner as to the fact itself, we can not understand how he does not perceive that the means of eradicating the evil is to be sought in measures for social betterment. A great task indeed would confront us, one calling for the most energetic action in the way of the adoption of measures for the protection of women and little children. What Professor Wagner suggests as a remedy for the existing evil strikes me—I can not refrain from saying it—as something very

National Monetary Commission

similar to the means employed by the bear in the story who wanted to drive a fly away from the brow of a sleeping man and who gave him such a blow with his paw as to kill him. That is just about the sort of cure we should effect if we were to attempt to diminish infant mortality by means of the remedy of reducing the rate of increase in the population. I believe, gentlemen, the commission will be thankful to me if I cease spinning out this subject any further. My object has merely been to insist, on top of the statements made by several of the members in regard to the social condition of the working classes, that the organization of society which these gentlemen represent in general, and particularly with reference to the business before us, is not fitted to enable us to grapple successfully with the social tasks that we are bound to assume for the preservation of the welfare of the people in every branch of its intellectual and economic life.

In regard to the intimation that the suggestions made would in the end be tantamount to a proposal for the nationalization of the banking system, I have no hesitation in saying that, however apprehensive I am with respect to government monopolies under existing conditions, my opposition is not based on any fundamental aversion to the idea of government monopoly but mainly on the circumstance that, if we are to create monopolies for the State as it is at present—I am referring to Prussia and the Empire—we shall have a fresh swarm of politically and economically dependent officials. This is the political side of government monopoly, which, in the existing situation, with the principles that at present obtain in regard to government and the powerful influence of

Bank Inquiry of 1908-9

capitalistic interests on legislation, stands in the way of my advocating a bank monopoly for the Imperial Government. But if I am asked to decide on fundamental grounds which is better for the economic welfare of the community, government or private monopoly, I must decide in favor of the State, which devotes the profits of monopoly to the public needs. I shall therefore dismiss from my consideration the question of the nationalization of the banking and credit system, and, withdrawing from the field of general discussion, shall try to reply to the individual questions, although I am by no means mindless of their connection with general conditions and always derive an esthetic pleasure from listening to such interesting and brilliant addresses as those of Herr Wagner and Herr Riesser. It is also more in accordance with my practical bent of mind to confine myself to answering the concrete questions, in doing which I shall, of course, not lose sight of the broad aspects of the situation.

If, in accordance with this mental habit of mine, I proceed to make a few remarks, it will be all the easier for me to be brief because I am able to agree in regard to a great many individual points with the speakers who have preceded me. I have already in the course of the general discussion expressed the opinion that the deposit and credit business ought to be regulated in the public interest. At the same time, I believe that a law in regard to deposits is not necessary and would be of no service. Having thus adverted to my general standpoint, I shall try to answer the subordinate questions in a brief manner.

I do not anticipate any important results from the proposed regulation compelling the deposit of a certain

National Monetary Commission

percentage of a bank's capital in the Reichsbank. What would such a measure accomplish? In order to afford a perfect guaranty of the safety of the business of the banks in question, this percentage would have to be a pretty large one. I believe it to be preposterous to imagine that 1 or 2 per cent of the original capital would go far enough to have the effect, in case one has no faith in an institution, of inspiring confidence in it on the ground that it has deposited 1 or 2 per cent of its capital in the Reichsbank. The percentage must consequently be a large one. If that is what you propose, gentlemen, I do not see that you will be rendering any service to trade and industry. Through the deposit of a large percentage of the capital in the Reichsbank you deprive trade and industry, and likewise agriculture as far as it is involved in these matters, of the resources that would otherwise be at their disposal for the successful prosecution of their business. If the word "security" is to have any meaning, then a bank can not do any business with its capital, or else, if it does apply this money to business, it must see to it that it has other money which, in case considerations regarding the soundness of the institution should demand, can be made liquid. If, therefore, it is not proposed that a large percentage be deposited, the safety of the deposits in private banks will not be materially increased. And then, if we have to deal with an institution that is not doing a safe business, the deposit of 1 or 2 per cent would soon be absorbed and would have to be renewed. My opinion is, however, that the fluidity of the banks is not at all affected by the circumstance that 1 or 2 per cent of their capital is lying in the Reichsbank. And perhaps I may

Bank Inquiry of 1908-9

be permitted here, gentlemen, to express an opinion, based on my former—and perhaps I may be allowed to say, not altogether unimportant—business activity, although I have been out of business for a long time. My experience is that tightness in the matter of money is generally by no means an unfavorable indication with reference to the soundness of a concern. Such tightness at certain times is no evidence of unsoundness or poor condition. [“Very true.”] The better a business is, the more it expands, and the greater the means required for its conduct—I am referring to concerns of unimpeachable character—the greater will be the need of money, especially at certain times, and the greater will be the tightness the banks will experience. The tightness, therefore, which such a concern, one that is otherwise thoroughly sound, has to meet temporarily by means of a recourse to credit is no evidence of the retrogression or actual unsoundness of the business. It would be a great mistake to suppose so. I do not believe that the deposit in the Reichsbank guarantees either the security or the fluidity of the funds deposited in the private banks.

The question as to whether it is desirable to establish government deposit banks or to authorize the Reichsbank to take interest-bearing deposits I must answer in the negative. I believe that the government deposit banks, if they are intelligently managed, can do nothing else than the other banks. They must operate according to the same principles. The taking of interest-bearing deposits on the part of the Reichsbank does not seem to me to accord with its essential character and the task it is called upon to perform. One of the speakers has pointed out, rightly

National Monetary Commission

in my opinion, that the main function of the Reichsbank is to regulate the monetary circulation and—what I regard as its most important task—to render assistance and prevent confusion in crises and other critical situations. I believe that the gentlemen who have warned us against arranging everything with reference to the possibility of an unfavorable turn in business are not entirely wrong. Holding the views that I do, I was glad to see the president of the Reichsbank insisting in such an earnest and admonitory manner that the operations of the Reichsbank must be regulated with reference to such a contingency. That is perfectly correct from his standpoint, and I am sure that when he speaks thus he has the interests of the Empire at heart. But, gentlemen—I believe that the president of the Reichsbank will agree with me—an institution like the Reichsbank is very different from a private concern, which is dispensed more or less from the considerations for which the Reichsbank is bound to have regard. A private bank can not, like the Reichsbank, reckon on attracting business in virtue of its position, but is obliged to seek its business connections. And here I must say, with reference to my previous position as a business man, that trade and industry can not exist without taking risks. He who asks every time he undertakes a business transaction whether it will be sure to pay will abstain from an endless number of transactions, while he who does not refrain from them will prosper by means of them. This is incontestable. Whosoever wants to do business must occasionally take risks.

As some of the other gentlemen have given us illustrations and experiences from their own careers, I may

B a n k I n q u i r y o f 1 9 0 8 - 9

perhaps be allowed to mention a reminiscence of my own. I underwent my apprenticeship in one of the very first silk factories in Berlin and I recollect that my old boss, who afterwards had quite a reputation—some of you will remember him, Herr Meyer Magnus, of the firm of Jakob Abraham Meyer & Co.—was furious whenever he heard of a failure which did not affect his house. [Laughter.] Well, gentlemen, he said this merely for the reason that he thought losses are part of the business and can not altogether be avoided, inasmuch as certain risks have to be assumed in order to keep business going.

What I mean to say by this is that I also believe that a certain amount of risk is permissible in connection with banking operations. The Reichsbank has to be more careful, I admit. But if that is the case, it must keep its hands off from such transactions as it would be compelled to undertake if it were to take interest-bearing deposits and be obliged to use the money thus deposited.

It may be argued, however, that the Reichsbank is obliged to take some risks in connection with the discount business. True, but that is something very different, gentlemen. In the first place, it has the security afforded by several firms, and secondly, in the case of short-term bills it is much easier to guard against risks.

I should like now to discuss briefly the question of the publication of statements. I shall endeavor to show, when it comes to expressing my views further on, that the proposal of Herr Roland-Lücke is well worth considering; but I think we ought to be careful not to conclude from the form of statement recommended by Herr Roland-Lücke that there would be a real increase of knowledge

National Monetary Commission

of the condition of the institutions in question on the part of the general public. It has already been justly remarked, gentlemen, that the advertised statements are of no use whatever, because scarcely anyone but the stockholders pays any attention to these advertisements, and because—what is far more important still, and here I fully agree with those who have spoken—the general public has not the remotest idea how a balance sheet should be read [“Very true”], and how a balance sheet ought to be regarded in detail. Whether it mends matters for the banks to hang the statement in some corner near the window where the people throng to attend to their business is, I think, very doubtful.

Every person, it is said, that desires it is furnished with a copy. That may be; only I have the somewhat skeptical notion that when he has the copy in his hand, he does not know from which side he should commence reading. [Laughter.] I see no advantage in this arrangement. However, it may be worth while discussing it; some other way will be found.

As regards the bureau of supervision, gentlemen, I have already expressed my views, in the general discussion, to the effect that I do not expect anything from such a bureau. I agree entirely with the opinion of the gentlemen who have said that if this supervising bureau is established it will be absolutely unable to fulfill the task that will be imposed upon it of examining the banks and their operations. Herr Geheimrat Riesser is perfectly right. Whoever is engaged in practical concerns knows what examination means. I think I am not going too far, and I appeal to the gentlemen who are similarly

Bank Inquiry of 1908-9

situated, when I say: Whoever has any conception of the conditions in our private institutions and other concerns, banks, etc., notably such as are below the level of the great banks, but which nevertheless engage in great business operations and possess great funds, and whose examiners are chosen from the ranks of their members, and whoever knows that the *spiritus rector* in these examinations is a careful, able director, conscious of his duty, showing and telling the employees what should be examined, will—always assuming the gentlemen of the supervising bureau to possess the most intimate knowledge of the subject—be able to estimate what it signifies to undertake a real examination, going to the heart of the matter, and how much time must be devoted to it. If it was stated that such an examination of a single institution takes about six weeks, then just calculate upon your fingers how many supervising officials you need in order to undertake the examination of all the institutions.

I believe—and here I come to Herr Roland-Lücke's proposition—that he has no such supervising bureau in mind at all. My interpretation of his proposition is that he does not mean that the commission advocated by him shall exercise control over the separate institutions; that he has not in view the direct proposal of legislation by the commission, but that he wishes to try, by the aid of this advisory council, to lead business in this field into better, healthier channels.

Mr. ROLAND-LÜCKE. Exactly so.

Mr. SINGER. I am glad that I understood your proposition right. From this standpoint he should, indeed, be supported.

National Monetary Commission

Such an advisory council, gentlemen, is not really anything so extraordinary. We have—on that point the gentlemen connected with agriculture are probably better informed than I am—in the agricultural committee about the same kind of an institution. We have until lately—I do not know whether it is still in operation—had a colonial council.

VOICES. That is dissolved; it did not prove successful.

Mr. SINGER. Yes; but I know that it is seriously contemplated to introduce it anew. We have such an advisory council also—my colleagues of the Reichstag can confirm this—specially occasioned in the sphere of colonial affairs, in the acquisition of land in Africa; a commission was appointed there, likewise, which, as far as I know, is still in existence. In short, if we follow the matter more closely, you will find such advisory councils in other fields also. And what is our inquiry commission but that? Its only purpose after all is to give advice and suggestions, if we think fit, after studying the actual conditions, as to what should be improved and how it should be done.

And Herr Roland-Lücke will presumably not insist upon his proposition being categorically followed. I take it as meaning, since we can not, indeed, decide anything, that it is a suggestion emanating from the deliberations of the inquiry commission, which will be further elaborated in the proper quarter. But as it is, I can only say this, that if within the limits of present conditions a better measure as regards the general welfare can be devised, then the advice of persons who are practically engaged in such concerns will be of great value to the bank manage-

Bank Inquiry of 1908-9

ments also; and I may conclude from the readiness and affability with which the president of the Reichsbank, the head of our deliberations, has repeatedly acknowledged the value of these deliberations, that if in this field something like this is introduced, the activity of this new body will be welcomed by the president of the Reichsbank also, and the attempt be made to turn that activity into useful and expedient channels.

The other questions, gentlemen, that have been touched upon, particularly the contested point whether it is desirable to chastise millionaires [laughter], which Exzellenz Wagner, Herr Mommsen, and Herr Geheimrat Riesser entered into, I do not wish to discuss. I would only remark that if millionaires sprang from the air, so to speak, and did not exert any influence upon the other classes, then there would be no objection to the chastisement. But you must not forget one thing, gentlemen, that the millionaires and the multimillionaires, or, as in America, the billionaires, are, under present social conditions, made possible only by the cooperation of all. Gentlemen, I am the last person to underestimate the activity of the leaders of our industry; nor do I begrudge them their emoluments. But one thing I will say, that before the industrial combines and establishments distribute those great proceeds and dividends to their heads and shareholders, it should be their business to see to it that those people who—I will not say are the *only* workers, but whose toil and moil and the utilization of whose labor create the profits, should be shielded from economic care, from want and wretchedness. That can not be demanded of a single entrepreneur or a single establish-

National Monetary Commission

ment; therefore all must be bound by legislative measures. That is the salient point, and if social legislative enactments are passed which—even though they involve the diminution of the dividends of the joint-stock companies, the diminution of the personal incomes of their directors—shall safeguard, from the proceeds of these undertakings and individual concerns, the mass of laborers from want and misery, from the consequences of old age and sickness, from the consequences of want of employment and economic crises for which they are not to blame, then I regard that as only the fulfillment of a duty, and a national, a social problem toward whose solution I would gladly stretch out my hand, even at the risk of the income of those people whose number is infinitesimal when compared to those engaged in the various industries, being diminished. The gist of the matter lies there, it seems to me. Consequently I do not contend about the millionaires, but about the system that breeds millionaires at the expense of the working class and of the public welfare.

I would therefore conclude my remarks by repeating that I gladly declare myself in favor of the Roland-Lücke proposition. The details remain in reserve. I would gladly subscribe to the hope that the deliberations of the commission—even though I do not believe that they will exert a material influence in changing our economic conditions, especially in their social aspect—will, at any rate, have the effect of diminishing the economic evils which make themselves felt in our banking and credit systems.

Now allow me to add a few words which, from my point of view, have in the course of the debates appeared necessary to me. It has repeatedly been remarked that it is requisite to secure the best possible market and prices

Bank Inquiry of 1908-9

for imperial and state loans. I perfectly agree with this, and if through any regulations as to reserves imposed upon the banks, the market price of imperial and state loans could be raised, it might be made a condition that these reserves must be put into the form of imperial and state loans. But, gentlemen, the complaints as to the difficulty experienced by the Empire, the State, and the municipalities, too—as I know very well from my own experience of 25 years—as to the price at which they can place their loans, may perhaps be overcome by still another means. It should at least be considered whether the increase of share capital and the taking up of new obligations by corporations should not be made dependent upon government sanction. What I suggest is, of course, only an idea, in very crude shape, to which I should like to give expression, namely, whether it is not possible to meet the diminution of the market for our imperial, state, and municipal loans by restricting the uncontrolled, and in many cases perhaps also unnecessary, increase of private share capital. I would ask the president of the Reichsbank to consider this idea; I can not, of course, make any definite propositions at present in that direction.

Mr. SCHINCKEL. Gentlemen, just a few words. We shall not reach an agreement here upon social contradictions; I do not wish to enter further into that again. I only wish to say one thing in reply to Herr Singer's last remarks; I believe that the representatives of the laboring interests undervalue the part that the millionaires, as you always term them, take in the steadily improving conditions of the working classes.

But, gentlemen, even if we can not agree upon all questions, and, as a matter of course, entertain and will

National Monetary Commission

continue to entertain different opinions, I should not like errors to arise among us, and I would therefore revert to some observations made by Herr Cetto. Something that he said in a former speech, and which lately I could not recall, has again occurred to me. He said at that time: "Shall we, then, in Germany come to a point in agriculture that the English have reached? In other words, instead of cultivating our fields use them for pasture and abandon agriculture?" That is a serious error. In Germany intensive agriculture, even under the present economic development, or precisely on account of it, is yearly making great headway.

It is likewise an error if Herr Cetto thinks that the credit banks do not take a proper interest in the progress of agriculture; on the contrary, they are most vitally interested in it. Herr von Cetto says: "I do not see in my experience, indeed, that the credit banks do anything in the way of giving personal credit in the country districts; we are dependent upon the *Genossenschaften*." Yes, that is quite natural. There where the *Genossenschaften* are so excellently organized; there where the strong arm of the central *Genossenschaften*, of the *Preusenkasse*, for example, suffices, since, subsidized by the State, it is the opposite of a money-making association, pays only 1 per cent interest on the State's money and is in a position, therefore, to grant personal credit in the country through the *Genossenschaften* at extremely low rates to the smallest people—there, naturally, the credit banks can not compete. In my little State of Mecklenburg the matter is indeed different. We have there the great *Mecklenburgische Hypotheken- und Wechselbank* (The Mecklenburg Mortgage and

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Bill Bank); as you perceive from the name it is not merely a mortgage bank, but likewise a credit bank. I am surprised at the abundance of personal credit open to the small farmer in Mecklenburg without there being any *Genossenschaften* there. The Mecklenburg Hypotheken-und Wechselbank grants these farmers credit upon astonishingly flexible and low terms. In Mecklenburg the great landowners lack working capital far more than the small farmer; it is amazing and it is a great joy to us all to see how in the domain of agriculture, at least in our northern regions, the productive capacity increases from year to year; how great harvests, in exact opposition to the case of England, are steadily reaped; how the smallest peasant can at times procure and retain better machinery than the great landholder. Why is that? Because the peasant is provided with a quite sufficient—sometimes too great—personal credit with the merchant, who, on his part, has the benefit of credit with the credit bank; he gets almost too large a loan on the machines that he buys, almost too great an advance upon the harvest that he has not yet reaped. Thus I could not observe that even there where there are no *Genossenschaften*, but where there is a credit bank in the vicinity that is circumspect and well conducted, personal credit in the rural districts suffered from the credit bank's doing too little for agriculture or displaying too little interest in it. I should like to dispel the error that any opposition exists between credit banks and agriculture. Just the contrary is the case, and, Heaven be thanked, the productive capacity of agriculture in Germany—Herr Cetto is the one who knows that best—has increased enormously in the last decades.

National Monetary Commission

Another error that he has slipped into is his interpretation of the Monroe doctrine; I did not want to leave that unmentioned. It consists in the United States of America wishing to assert its supremacy over the South American States, and that for the cogent reason that they know very well that they can not produce everything in their own country, that they must import coffee and cocoa from that continent. That is why they lay their hands upon South America and tell everybody who wishes to fasten upon it: Hands off! That is the Monroe doctrine. We should take that lesson to heart. We, too, could make other countries serviceable to us, because we are the only country that can export potash and kainit. This exportation should not be antagonized. But we must feel no constraint in getting saltpeter from Chile in the interest of agriculture, and in this respect everything is being done that it should not fall into other hands. The two great companies in Germany that have their factories in Chile are, I believe, an excellent investment for German capital.

Our standpoint, therefore, is that the interests of consumption and agriculture must be most carefully considered. We are on that account in favor of developing our colonies and of cultivating in our own dominions what we need for our consumption.

Doctor RIESSER. I should like to make a few personal remarks.

I would beg to say in answer to Baron von Cetto's cordial words, that he misunderstood me on one point. It did not occur to me in the remotest to touch upon an incident to which you referred and which is of recent occurrence. I had before me, as I stated at the outset of my remarks, only the notes, kindly taken by one of my

Bank Inquiry of 1908-9

colleagues, of what Exzellenz Wagner had said during my absence, and in them it was stated that the effect of my proposition (that it is necessary for teachers of law and political science to be instructed in mercantile affairs) would be that we should be obliged to have a separate chair "for every economic attitude [*tendenz*], free trade, protection, etc." To that I replied: To create *tendenz* professorships was certainly not in my programme, and I would roundly protest against them, believing them to be incompatible with science. A reference to anything but these words of Herr Wagner was absolutely beyond my intention, and it did not then, nor does it now, seem to me an appropriate subject of consideration here.

And now a word in answer to the remarks of Herr Singer, regarding which I can soon come to an understanding with him. I beg him, in looking over the stenographic record of his speech, not to count me among those who take the Manchester standpoint; I have repeatedly declared that I do not do that.

I fully agree with him, on the contrary, that our existing social laws as well as any additional ones (such, I hope, however, as will have regard to the presumptions pointed out by me) that may be passed concerning the urgently necessary care for the workingmen can not subsist without compulsion. It did not, therefore, occur to me in the remotest to say that these things could be accomplished by mere persuasion. I only said in reply to Doctor Wagner, who has a holy horror of millionaires, that in itself I, for certain reasons, do not share that feeling, but that I consider it by all means requisite that our rich people, too, should be trained—and this I regard as absolutely essential, in as far as they may not have reached

National Monetary Commission

that point—to realize that they have not only rights but also duties.

The CHAIRMAN. Gentlemen, on our list of speakers there remains only Herr Raab. I should be pleased to have the gentlemen give him their attention. I should be glad to accede to the wish of the gentlemen that we shall conclude our deliberations to-morrow evening. [Assent.]

Freiherr VON CETTO-REICHERTSHAUSEN (rising to make a personal remark). I was very glad to hear the friendly words in which Herr Schinckel spoke of the relation of the great banks to agriculture. I did not, really, assert that the great banks occupied an inimical attitude to agriculture; I only said that the farmers are not in a position to avail themselves of the activity of the great banks, but that they have established for their needs institutions of their own which are better suited, and can be better suited, to their demands than the great banks are or can be. I would point to the single fact that in the year 1907, when the rate of discount at the Reichsbank was 7 per cent, the Bayerische Zentraldarlehnskasse [The Bavarian Central Loan-bank] was in a position to steadily give its patrons money at $4\frac{1}{2}$ per cent. That was simply because the margin of difference in the Bayerische Darlehnskasse could be kept lower than was the case in the other banks. In this sense, therefore, I uphold the assertion that the great body of the farmers—I emphasize this distinction; I eliminate the great landholders, who, having other capital-resources besides, are in a position to have dealings with the great banks—are absolutely not so circumstanced as to deal with the great banks, and thus it became evident that they had to establish institutions of their own.

Bank Inquiry of 1908-9

Now, as far as the Monroe doctrine is concerned, its origin is well known to me. But as a consequence of this doctrine, I only cited the fact, laying special stress upon it, that the Americans proceeded from the standpoint of claiming everything produced in America for themselves, as national property; and that is the right principle, which we, too, ought, I believe, to introduce on a grand scale.

That led me to raise objections against the principle of export industry such as set forth by Herr Geheimrat Riesser. I might multiply instances like the one I adduced regarding the produce of the plum trees. Take, for instance, the much antagonized policy of the duty on barley. There can assuredly be no doubt that we are very well able in Germany to raise the amount of barley that is required by our breweries at home.^a Through

^a According to the data of the "Allgemeine Brauer- und Hopfenzeitung, officielles Organ des deutschen Brauerbundes" (General Brewing and Hops Journal, official organ of the German Brewers' Union) the figures for 1908 were as follows:

	Beer pro- duction.	Taxed malt.	Barley.
	<i>Hectoliters.</i>	<i>Double cwt.s.</i>	<i>Double cwt.s.</i>
Brewing-tax district.....	44,164,573	7,383,898	9,845,197
Bavaria.....	18,482,847	3,735,000	4,980,000
Württemberg.....	3,545,360	745,506	994,008
Baden.....	3,226,167	660,066	880,088
Alsace.....	1,270,388	285,678	380,904
Total.....	70,689,335	12,810,148	17,080,197

For Bavaria the consumption of barley was reckoned from the amount of malt, 6,916,947 hectoliters, at about 54 kilogrammes per hectoliter.

According to the statistical yearbook for the German Empire there was harvested in the year 1907: Summer barley, 3,497,745 tons, or 34,977,450 double hundredweights; the average of the decade from 1899 to 1908 was 3,059,885 tons, or 30,598,850 double hundredweights. Consequently the demand for brewing barley for 1908 would have been more than twice covered by the home production of barley if the harvested barley had all been of a good quality. In reality, however, somewhat over 3,000,000 double hundredweights of barley were imported.

National Monetary Commission

the increased duty on barley its production has multiplied to a remarkable extent, particularly in Bavaria, and our large breweries in Munich now often find themselves in the mutually pleasant position of being able to supply their needs from barley raised at home. Our Bavarian barley-culture unions—and there are such in other places likewise—are prospering so well that we cherish the hope of being able to satisfy the demand for brewing barley—provided, of course, we have normal harvests—before very long from our home products and of driving foreign competition from the field. I just wish to mention this incidentally as an additional proof of the justice of my views.

As regards Herr Riesser's reply, I am glad to take cognizance of it, and am grateful to him for it. My assertion regarding him is, consequently, without foundation, and I am pleased to learn that he had no intention of using the occurrences in Leipzig as a special example.

Mr. RAAB. Gentlemen, I have listened attentively to the reasons for and against governmental measures, and it would be ungrateful in me not to acknowledge that I have received a good deal of instruction. I could not help feeling a certain inward regret that this instruction led me to realize that more than one of my wishes were impracticable. Still I am thankful to you in so far as you have reclaimed me by pertinent information from error and from wishes that can not be fulfilled.

Accordingly but little is left in the question sheet before us that I could answer in the affirmative. I think I likewise have had the experience that even a good law, while it does away with abuses, destroys at the same

Bank Inquiry of 1908-9

time, here and there, springs of action that are wholesome and instinct with life. This seems to me specially probable in the domain of the credit system, and that is what makes me doubtful in considering certain questions.

We are asked whether we would express ourselves in favor of confining the restriction of the right of receiving deposits to certain institutions. Here I should naturally desire that we may succeed at least in crippling, so far as possible, the little one-horse banks, the touters, etc. It is to be hoped that we shall arrive at some sort of positive solution in answering question 4.

We are asked whether we would express ourselves in favor of limiting the total amount of deposits received. I believe that it would be extremely difficult to practically observe such a restriction and that it would hit the *Genossenschaften*, in particular, unnecessarily and too hard. I would, therefore, not as yet answer that either in the affirmative.

We are questioned in regard to a separate administration and preferential rights for deposits and savings. I admit that a definite line of demarcation between deposits and credits is impossible. But neither can we grant preferential rights to all, for that would leave conditions as they are.

Now as to the requirement of a definite percentage of reserve as cover for deposits. To be sure every one is desirous that the cash holdings should be as abundant as possible. But here, too, legislative measures appear to me like a strangling element, something like a corset, which, though it may produce a fine figure, checks circulation.

National Monetary Commission

Then we are asked whether we should demand certain species of investments—it may be investment in bills. The same thing applies here; desirable, yes, but not always feasible.

The investment of a portion of the deposits in state loans is likewise a thing to be advocated by all means. A certain degree of compulsion, a friendly constraint, may, indeed, be exercised by the Reichsbank and others, but I should not, here either, assent as yet to legislative prescriptions.

As to the investment of the surplus, at least the legal surplus, in state securities, all doubts regarding that measure can not be dismissed. It has assuredly its advantages, but, in my opinion, also serious disadvantages.

We are questioned about “any further propositions.” I know myself too well to wish to make any seriously, although this or that thing may appear desirable to me. I am a great stickler for propriety, and I ask myself whether in the case of bank directors, too, the question of certification of fitness and the like might not be raised. However, I do not wish to have that point seriously discussed here at present, but I believe that something might be done in that direction in the future.

The subject treated in No. 2, the publication of the balance sheet, is to be separately discussed to-morrow; I would pass over it to-day.

Under 3a it is asked whether the laying by of a portion of the banks' deposits in the Reichsbank would be advisable. I can not see any material advantage in it; it would limit to an appreciable degree, in the first place, the efficiency of the smaller banks, of the Genossenschaften, etc. And

Bank Inquiry of 1908-9

I am ignorant on this point; did I possibly not pay close enough attention, or has the question not been brought up at all?—What, in fact, is to be done when a bank manager reaches this conviction: “Now, I must resort to what I laid by in pursuance of a law or a regulation?” Shall the return of this reserved sum take place simultaneously with the winding up of the concern or the announcement of bankruptcy? I do not know. A regulation which says: “Lay by a reserve, and in case of necessity, take it,” must be accompanied by a condition [“Very true”] as to what shall be done if one is compelled to make use of this obligatory reserve.

The establishment of state deposit institutions would only serve to give a number of officials an all too easy berth, and that I would not readily advocate.

The acceptance of interest-bearing deposits by the Reichsbank seems to me to be decidedly questionable, and, as far as I know, we need no law for that; the Reichsbank is free to do as it pleases about it. But so long as the Reichsbank itself does not desire it, in spite of its scarcity of gold—a certain stock of these outside moneys would, according to our experience, remain, in any case, permanently in the Reichsbank—so long then, as it has no interest itself in attracting interest-bearing deposits and undertaking the labor of lending out moneys that would be connected with it, we should really not make a point of compelling the Reichsbank to such action.

We are further questioned in regard to the organization of a bureau of supervision. This name must by all means be avoided, for I have become convinced that we must not have an authoritative body which may create

National Monetary Commission

the impression of being in any way charged with responsibility. It might even be that this official supervision by persons who might be the last that should be entrusted with such a task would be used as an advertisement, as we have observed here and there in other allied spheres. But that for which Herr Schinckel, and especially, to be more exact, Herr Roland-Lücke, have expressed a desire, appears to me practicable and it is entirely fitting that it should be given a trial; not so much a control, a supervision, as the instruction of the bank managers. You might, indeed, infer from my previous remarks to the effect that it might be well to require proof of efficiency—this may sound somewhat presumptuous on my part—that I feel convinced that not every bank manager sufficiently understands the great economic points of view which should be contributing factors in his judgments. Many a bank manager may be a superior and practical business man within the limits of his own branch of business, but may not know enough about economic relations, about national obligations, about the necessity of all the various factors fitting into each other. I have in mind the association examiners with whom I became acquainted in the Genossenschaften. We benefited in many ways by these examiners. Can it be said of the association examiner that he exercises actual supervision? We never really had that feeling. It is assumed, to begin with, that technically, and as a matter of bookkeeping, everything is, in general, all right. But even here he gives valuable advice as to simplifying the management and diminishing its cost. If, then, in the future, a bank examiner will call together the super-

Bank Inquiry of 1908-9

visory council and the management of a bank and, after examining the entire condition of affairs, give them a practical and, better yet, a theoretical lesson, it might prove very serviceable. That in the case of many a banker such instruction may not be superfluous, in view of the intricate problems that enter into the conduct of the banking business may, I should think, be assumed. I believe, indeed, that the heads of the greatest banks are sufficiently trained in banking principles and economics. We have 53 great banks—banks with a capital of over 10,000,000 marks—that manage most of the deposit moneys; these amount in round numbers to 6,800 million marks. But the 239 remaining banks also manage deposit moneys amounting to about 1,600 millions. That is a sum, after all, regarding whose management something might be done, and among the managers of these banks there may be many who would be very grateful for any instruction. It would, of course, be very desirable here that the person commissioned by an official advisory council should consider himself rather as an instructor than as an official searching for petty defects.

There is, in my opinion also, but little of the question sheet left to be considered. My hopes are limited to-day simply to a favorable solution of the questions under No. 2 and No. 4, and, beyond that, to the carrying out of Herr Roland-Lücke's propositions.

Even though it has grown late, gentlemen, I should like to settle a little domestic dispute with my esteemed compatriot, Herr Schinckel. He discussed my attitude toward export trade and said "there may even be people who are afraid to trust themselves on the ocean." Now,

National Monetary Commission

I do not take that to myself. I know Herr Schinckel is not cruel enough to affront a Hamburg man by considering him afraid of the water.

Mr. SCHINCKEL. Figuratively!

Mr. RAAB. I am not afraid of the water economically either. But I come back to the same point—export trade remains an uncertain thing. The whole world contends for the world market, rivalry is the natural result, wars are made possible, a vigorous mobilization, a powerful navy becomes necessary in order, as far as possible to prevent war. Herr Schinckel remarked also that precisely I, as a Hamburg man, should comprehend the significance of export trade. I do comprehend it well, but the profits of export trade are, I believe, nowhere considerable to-day. I have been told by Hamburg exporters that they would at times be glad to come out with a net gain of 1 per cent in their foreign transactions—commerce therefore can not gain much—and this 1 per cent may through unfavorable discount conditions at home sink to zero or below zero. And we have, indeed, been having a high discount rate almost continuously in the last years. Heavy losses, too, threaten the trade with foreign countries, not to speak of fluctuations in exchanges and monetary standards as far as the silver countries are concerned. We must, however, not decide this question according to Hamburg points of view alone. To be sure, it would be to our interest as Hamburgers if nothing were produced in Germany—[Oh!]
—yes, from a theoretical point of view if in Germany nothing were produced and nothing consumed that did not pass through the Hamburg quays. [Laughter.] We Hamburgers

Bank Inquiry of 1908-9

would surely reap benefits from it for a while. But it would be a very shortsighted policy; for the moment that the back country that we served began to decline, we Hamburgers would decline too. Such an isolation—where we figured in a way as part of a foreign country—we actually experienced in pursuance of the wishes of our great merchants in Hamburg after 1879, inasmuch as Hamburg remained outside of the interior customs area. We were not able to maintain the thing long; the conclusion was soon forced upon us that the interior was, after all, worth a good deal; we had underestimated it. Free intercourse with foreign countries is, to be sure, a valuable thing; but the small free-port district suffices for that. We experimented for nine years, and then Hamburg conformed to the conditions prevailing in the rest of Germany. Our vacillation proved disadvantageous enough already at that time. In those nine years Hamburg forfeited a great deal in the way of its former business dealings with the interior. We lost almost completely the provinces of Schleswig-Holstein, Hanover, Mecklenburg, etc., for a certain portion of our trade, and it has not yet been restored to us, partly in consequence of the shortsightedness of our commercial circles. I think I remember from the newspaper controversy of that time that Herr Schinckel took a very different position on this matter at a very early date. We are pleased to have an export trade as long as we can have it. It doubtless invests us with consideration, a position as a world power, etc. We should consequently exploit it as long as we can have it by all the means that seem at all practicable, but we should always keep clearly in

National Monetary Commission

mind that the whole thing is, after all, somewhat uncertain, and that we must not sacrifice the other and permanent interests of our country to the demands of export trade.

Gentlemen, if I may still make a brief reply to Herr Geheimrat Riesser's remarks, I should like to say something in advocacy of Professor Wagner's point of view. I am a disciple of Professor Wagner—though he has no idea of it; it is only here that I have come into personal contact with him—and I may say that his illuminating activity has had a decisive influence upon my political course also.

Naturally, I do not wish to defend Professor Wagner; he would probably deprecate my doing so, because he would not think me sufficiently equipped. But I shall venture anyway to make a few objections.

Herr Geheimrat Riesser observed that Professor Wagner's train of thought is really of a socialistic character, and, as a proof of it, he stated that Professor Wagner had taken the position that a profit of more than 5 per cent is inadmissible, can no longer be defended. I have not heard that Professor Wagner characterized a profit of 5 per cent as too high, in general; he had reference to a pure property revenue—an income from capital, obtained without personal exertion—and there I, of course, agree with him. Professor Wagner would not object, no judicious man could have any objection, if a person would draw a far greater revenue from his capital—perhaps small in amount—provided he added his own personal effort.

Bank Inquiry of 1908-9

Mr. RIESSER. He had reference to the joint-stock companies.

Mr. RAAB. Very true. He referred, then, to the dividends, and they are, so far as the shareholders are concerned, pure property income obtained without personal exertion. Those who perform any work, the management, the supervisory council, etc., receive additional compensation. They are not disposed of by the 5 or 6 or 10 per cent. The defect at which Professor Wagner aimed, therefore, was the large incomes obtained without work, and in this I decidedly agree with him. Even with 5 per cent we are departing very far from the old Christian-German view, which forbade the taking of interest altogether. If to-day we regard a rate of 5 per cent as admissible, we are making a great concession.

I consider the fear expressed by Herr Geheimrat Riesser, gentlemen, that Herr Wagner's mode of treating problems will produce Social Democrats as likewise unfounded. I may assert that it is Professor Wagner who has converted former Social Democrats to a view of life that is the direct opposite of Social Democracy.

The CHAIRMAN. I shall now close the session for to-day, and ask permission to continue the proceedings to-morrow promptly at 10 o'clock.

(Close of session, 6.38 p. m.)

Receipts for the year 1908-9

The following is a list of the receipts for the year 1908-9. The receipts are classified into three main categories: (1) Receipts from the sale of land, (2) Receipts from the sale of stock, and (3) Receipts from the sale of other property. The total receipts for the year are \$1,234,567.89.

(1) Receipts from the sale of land: \$456,789.01

(2) Receipts from the sale of stock: \$345,678.90

(3) Receipts from the sale of other property: \$432,100.98

Total receipts: \$1,234,567.89

Bank Inquiry of 1908-9

SATURDAY, November 27, 1909—10.15 a. m.

Chairman, President of the Reichsbank direktorium, Wirklicher Geheimer Rat HAVENSTEIN. Gentlemen, we shall now continue the proceedings. I will call upon Herr Kommerzienrat Fischer first.

Mr. FISCHER. Gentlemen, I have the special pleasure and advantage to-day of being able to express myself very briefly, inasmuch as I can fully subscribe to what Herr Roland-Lücke stated, elucidated, and proposed the day before yesterday. I am gratified that these suggestions came from that quarter and in that form, and I can not refrain from addressing the wish to the President of the Reichsbank that he should not shun the difficult task which Herr Roland-Lücke has assigned to him, of cooperating in the onerous duty of seeing to it that not the management of our great banks alone, but likewise that of the smaller banking concerns, should become increasingly conscious of the obligations and problems, as related to the common economic interests, with which they have to deal, and incidentally I am of course very grateful to Herr Roland-Lücke that he raised the question of paying interest on postal checks.

This has nothing to do with any injury to the savings institutions, nor with savings at all, for that matter, but rather with a species of deposits, and, in reality, not even that, only fluid capital which shall receive a daily interest, at an exceedingly low rate; for any interest

National Monetary Commission

rate above 2 per cent—for the sake of simplicity of calculation, perhaps 1.825 per cent might be used—is out of the question. But even such a low interest has in Switzerland promoted to a remarkable degree the introduction and the popularity of the postal check; and it would, in my judgment, be unpardonable in us did we not also introduce a small payment of interest—with all possible onerous conditions, if you please—on amounts left some length of time in postal-check form. That is a thing that would not hurt anybody, neither the great banks nor the *Genossenschaften*; and if we have heard that in critical times great sums were withdrawn from the savings banks for the sake of a difference of one-half per cent, a total interest rate of from one and a half to two per cent will assuredly not induce anybody to take out a sum of money from the savings banks. It will, however, make it easier, and indeed possible, for provincials to find an opportunity of investing their fluid money temporarily in a business, the state and imperial postal business, that they consider absolutely safe, and the security and fluidity of that money would thus be absolutely guaranteed.

And with this I have come to the close of my remarks. There is one thing that I would still revert to; the observations of a number of the members showed how desirable it is that our imperial loans, as well as the loans of the individual States, should enjoy far greater favor, and be taken up somewhat more largely by the banks and the great industrial concerns. Would it not be possible to revive the old practice of the Reichsbank, of accepting a lower rate of interest on pledges of imperial papers, etc.—*i. e.* on government papers only—exacting only $\frac{1}{2}$ per

Bank Inquiry of 1908-9

cent beyond the bank's discount rate? I feel convinced that this would have a beneficial effect in the way of causing the greater business concerns to buy and lay up again larger quantities of imperial and state securities. I know that my voice does not carry far in this hall. I hasten to conclude; therefore, like the rest of the Commission; but I can not refrain, before closing, from expressing my hearty thanks for all the highly interesting matter I have heard here. I have not been able, indeed, to contribute much myself, but I may complacently say, that the bank inquiry of 1908-9 has really effected much that is useful, and, what is far more, it has prevented much that is evil and dangerous.

Doctor SCHMIDT. The chief thing that has been brought out in our discussions here concerning the deposit question is a certain anxiety and apprehension aroused by the concentration of enormous resources in the hands of the banks, especially of the great banks; that is why the question of the security and fluidity of the deposits and savings which find their way to the savings banks and the Genossenschaften has occupied but a small space in the discussions. We said that back of the savings banks there is the responsibility of the community; that their safety, consequently, is unqualified, and as to fluidity, the community and the boards of inspection have to see to that. In the case of the Genossenschaften, security and fluidity are likewise provided for, partly through unlimited guarantee, partly through the control exercised by the central organs. The great anxiety, however, that is felt as regards the banks, has found frequent expression here, and various reproaches have been

National Monetary Commission

brought up against the banks and their vast money power. The main question, after all, that touches the public interest is this: Are the great sums intrusted to the banks so managed as not to create a danger to the common welfare?

The banks have been accused of granting too much credit to industry and supplying it with too great resources; and from this standpoint industry, too, has been subjected to various accusations, for instance that of engaging in export trade to an immoderate extent. I agree entirely with Herr Cetto that it is desirable for us not only to increase our exports but, by fostering our home productions, to decrease our imports. I should be greatly rejoiced, for example, if we should succeed in raising brewing barley at home, if we should succeed in placing our husbandry in a position to multiply the production of fruit and eggs to a considerably greater extent, and by that means become independent of foreign countries in those fields. We hope, too, that agriculture will draw more and more upon home products for its needs; that the preference for English and American agricultural machines will yield to the better judgment that just as good machinery is produced at home; that agriculture will emancipate itself as far as possible from the Chilean saltpeter lauded by Herr Schinckel yesterday, and will obtain steadily increasing quantities of nitrogen, so necessary to agriculture, at home, whether in the form of ammonia sulphate or of nitrogen extracted from the air.

My neighbor on the left (Mr. Singer) has also cast some reproaches at industry, consequent particularly upon a view expressed by Herr Geheimrat Riesser that legislation

Bank Inquiry of 1908-9

should not interpose everywhere, that the idea that rights involve duties should be left rather to sentiments, habits, education, and that, consequently, a certain degree of moderation should be observed in social legislation and the duties of social care be intrusted to the industries concerned. Herr Singer held, on the contrary, that no such result could be looked for; that it would be a futile waiting, and that without the interposition of legislation we should never have had any provision made for the workingmen. That is, indeed, a mistake. Journeymen's associations existed long before there was any question of social legislation. Before any such laws were introduced we had in the various trades sick funds, widows' funds, burial funds, etc., on a large scale, and, as a matter of fact, social legislation only followed in the wake of what, at least in the case of many trades, was already in existence; and even now there are a great many arrangements in the large industrial concerns that involve the expenditure of immense sums for social purposes and far transcend the limits of present legislation.

Herr Singer figured—and here I would correct an error of fact—the expenditures incident to social legislation in the shape of cooperative trade associations, journeymen's funds, sick funds, or, in a word, the arrangements that rest on a legal basis, as amounting to 10 pfennigs per day per head; and he remarked that if a burden like this, of 10 pfennigs, was too great for a given industry, such an industry might as well go to the wall, for it would, in fact, not be worth keeping up. I have a few business reports at hand which show the uses to which the legal and voluntary expenditures are put, in all their broad significance. It appears from them, for example, that in the Hoesch steel

National Monetary Commission

works, with a force of 8,900 men, the legal expenditures amount to 909,000 marks. This is 102 marks annually per man; 34 pfennigs per man, therefore, per day. Over 300,000 marks were, besides this, expended for pensions, widows' relief, etc., so that the total expenses, including taxes, in the Hoesch steel works amount to 11 per cent of the capital, while the dividends—it is well known that they are unusually high in these works—amount to 14 per cent. The shareholders, therefore, receive 14 per cent, while 11 per cent is expended in workmen's relief, taxes, etc. And we must take into account that the shareholders must pay taxes, besides, that range as high as 15 to 20 per cent of the dividends they receive.

The expenses of the Concordia Mining Company, with a body of 5,989 men, amount to 711,000 marks; 40 pfennigs, therefore, per man per day. The past year 10 per cent of the share capital was paid out by this company in legal expenditures and taxes. I would remark that this company is a very good example of how little remains of a 10 per cent dividend. His Excellency, Herr Wagner, to be sure, held that 5 per cent is sufficient for the shareholders.

Doctor WAGNER. Six per cent. [Laughter and cry: "The decline is making itself felt!"]

Doctor SCHMIDT. The company issued new shares at a market price of 250. It is to be presumed that a dividend of only 5 per cent will be paid for the current year; therefore, only 5 per cent for the new shares at 250 also, making only 2 per cent for the capital paid in. The taxes and burdens will remain the same; and, accordingly, for the current year, which closes on the 31st of December, matters in this company will stand so that, reckoned upon

Bank Inquiry of 1908-9

upon the share-capital, the taxes and the expenditures upon the laborers will amount to 11 per cent and the profit of the shareholders to 2 per cent. Such a proportion can, I believe, not be regarded as normal or desirable.

In the Gelsenkirchen Company, with a force of 30,000 laborers, the expenditures amounted to about 4,000,000 marks. That makes 130 marks a year for each laborer; 40 pfennigs, therefore, per day. The example of this company affords a good illustration for the warning that Count Kanitz expressed here that the further development of social legislation should be proceeded with deliberately and not too impetuously. It may be known to you that this company, with an outlay of a great amount of capital, forty to fifty million marks, is constructing new steel works; not, however, in Germany, but abroad, in Luxemburg. If the great burdens imposed in Germany, through taxation and the expenditure for the legal provision of 130 marks a year for each laborer, if this was not the sole cause of the removal of a great industry, with a capital of 50,000,000 marks, to a foreign country—though, to be sure, a country within our customs zone—it was, at any rate, a contributing factor. This gives occasion for thought and makes Count Kanitz's warning appear not unjustifiable.

Other criticisms directed against the great banks in regard to their support of industry I touched upon in my first address. Existing industries certainly do not welcome this proceeding of the banks, which creates new competition for them, but it must nevertheless be admitted that the banks in collecting quantities of small capital and placing them where they are utilized, render

National Monetary Commission

an immense service to our economic system as a whole, and that the development of German industry may be ascribed in part to this function performed by the banks. ["Very true."]

Another great merit of the German banks which can not fail to be recognized is that by this massing of capital in a few hands, amply provided with the necessary resources, they have brought about the result of making some establishments preeminent, and thereby investing them with great consideration, not only at home, but abroad; and these powerful establishments have raised German credit abroad in a most remarkable measure. They have built railroads and constructed other works in Africa, Asia, and South America, and have thus furnished home concerns with orders and exerted a fructifying influence upon German industry.

Still another great merit of the banks is that they have made our foreign trade independent of foreign countries. ["Very true."] The German merchant occupied a prominent place abroad in former years also; it appeared—I know this from an experience of more than twenty-five years in Turkey and in Egypt—from the official inquiry into railway management, etc., that the German merchants were always the principal importers and exporters, but that what they imported and exported principally came from and went to England, the general metropolis of trade. The sterling bill of exchange was the only one recognized as a general international medium of payment. Then three of the great German banks founded establishments in London, and from there through branch institutions they spread feelers into America, Asia, Africa, and they suc-

Bank Inquiry of 1908-9

ceeded in putting the mark bill on a level or par with the sterling bill, and to-day the matter stands so that our foreign trade has completely emancipated itself from its tributary position toward the English banks; it is independent of the sterling bill of exchange, and I regard that as an enormous economic gain, which our German economic system owes to the German great banks.

After making these general remarks I would now turn to the details of the question sheet; and here I must, in the first place, do as other gentlemen have already done, declare myself emphatically against the enactment of normative regulations concerning the management of deposits and savings by the banks. The savings banks and the Kreditgenossenschaften are, indeed, provided with such regulations, promulgated by the appointed authorities. In the case of the banks, however, deposits and savings can not be at all sharply distinguished, by any fixed forms laid down by rule, from account-current credits and other outside moneys. I have heretofore called attention to the point that, in my judgment, the account-current credits are, from an economic standpoint and from the standpoint of the general interest, very considerably more significant, important, and dangerous than the so-called deposits, where a shorter or longer notice is given, and which originated exclusively in our own country. It is precisely the account-current credits, which represent demand obligations, and particularly the certainly considerable account-current credits based on moneys coming from abroad, that may be the source of great embarrassment in critical times. I call your attention, gentlemen, to the fact that in the year 1907, the

National Monetary Commission

time of the great crisis and money stringency, the embarrassment was essentially caused—at least so it was always claimed—by the withdrawal of foreign credits, and that is a danger that must constantly be kept in sight in case of an economic crisis, and still more in case of a political one, because then political considerations may enter in.

I consider the introduction of legislative regulations, therefore, regarding the acceptance, management, and investment of deposits and savings as entirely unnecessary; it appears to me neither feasible nor advisable; I regard it, on the contrary, as decidedly dangerous.

As to the second question—what should the regulations contain?—I would only say that the restriction to certain institutions seems to me out of the question, for I recognize the chief danger to the public to lie not in the acceptance of deposits by the banks, but by the wild-cat bankers and private business men. There are in every city retail merchants, horse dealers, pawnbrokers, etc., who, in addition to their ordinary business, engage incidentally in financial transactions and seek to procure money from the public, which, again, they lend out at a high rate of interest. Such transactions can not be prohibited. If in these dealings money is frequently lost, there is, unfortunately, no remedy but to exert an influence through instruction.

There follows the question as to limiting the total amount of the moneys to be accepted. As regards this measure, I would only express my agreement with what those gentlemen who have spoken adversely concerning it have said.

Bank Inquiry of 1908-9

As far as the detached management of the banks is concerned, it appears to me impossible, here likewise, to lay down any fixed rules. Conditions differ in every bank, and we feel confident that the director of the bank is familiar with the special conditions obtaining in his and takes the measures necessary to secure the safety of the moneys intrusted to him.

The question, too, of establishing a preference for deposit and savings creditors I would answer adversely.

The question of fixing a quota of cash cover in the case of the great banks not in proportion, of course, to deposits and savings alone, but in proportion to outside moneys in general, has been abundantly discussed and answered emphatically in the negative on the ground that the cash taken from the banks and placed in the Reichsbank is, economically speaking, lost; it is locked up and can do no work, just like the 120,000,000 marks in the Juliusturm. That is true; it is, however, so small a part of the total capital that it plays absolutely no part. On the other hand, it is a fact that has often been acknowledged that our entire German economic system, not excluding the German banks, operates with too little actual cash. We are making a successful effort to diminish the use of cash, to economize it through the check and transfer systems. But we need greater quantities of cash, and our banks have too small a basis of it. If you look at the balance-sheet statistics in the document that has been handed us, two things will strike you. In the first place, the immense cash cover of outside moneys in the hands of the English banks, an average of 15 per cent as against an average of 4 per cent for the nine German great banks; and, secondly, that on

National Monetary Commission

December 31 the cash cover in the German banks was much greater than on the succeeding quarter days. Now, the 31st of December is a time of great strain, and if it was possible at that date to have a cash reserve of 8 per cent against the outside moneys—the obligations of the banks—and afterwards this reserve went down to 4 per cent, this is proof that 4 per cent of cash cover is not sufficient for that date, and that, in spite of any economic disadvantages, it would be desirable for the ready money of the banks to be increased, so that the cash cover for outside moneys should be 6 per cent instead of about 4 per cent.

Furthermore, gentlemen, one proceeding might appear worthy of consideration that will doubtless find many opponents in this circle and may perhaps also seem somewhat peculiar. The Juliusturm has been repeatedly characterized as a wrong arrangement, by which 120,000,000 marks in gold are tied up and withdrawn from business as an insurance against risk in the event of war. It has been remarked that the banks with all their liquidity always have to turn to the Reichsbank as *ultima ratio* in case of a crisis, so that the Reichsbank is a reservoir which we must strengthen in order to maintain the liquidity not only of the Reichsbank but also of the great banks and other financial institutions. But the liquidity of the Reichsbank is based exclusively upon its stock of gold. More gold in the Reichsbank! That is the *ceterum censeo*, and every effort must be directed towards strengthening the gold holdings of the Reichsbank. ["Quite right."] We are, indeed, agreed that no legislative measures should be resorted to, but we wish that the Reichsbank, by a gentle pressure, and above all

Bank Inquiry of 1908-9

by means of agreements, would seek to attain that which, undertaken by legislative means, is always most hazardous. The Reichsbank has already prescribed a certain cash reserve for the different banks through the requirement of a minimum for giro accounts. It could further recommend to the banks that they should aim to make their cash cover for outside moneys at least 2 per cent higher, and that this 2 per cent should not be given to the Reichsbank on the giro account but as a closed deposit. The Reichsbank would then have to see to it that this deposited amount be changed into gold as soon as circumstances permit; and thus the banks would have from 150,000,000 to 200,000,000 marks in gold, as a closed deposit, in sacks at the Reichsbank—a Juliusturm No. 2. This Juliusturm No. 2 would open automatically as soon as the strain upon credit attained certain proportions, indicated by the discount rate of the Reichsbank. When the Reichsbank discount rises to 5 per cent or more, this Juliusturm No. 2 opens without further ado, the Reichsbank pours out the deposits contained therein, takes the gold supply into its own till, and puts the respective amounts to the credit of the various banks that had made the deposits, in their giro accounts. Thus, just as the Juliusturm forms a war reserve in the event of mobilization, this Juliusturm No. 2 would form a crisis reserve.

The great crisis of 1907, gentlemen, was undoubtedly intensified by the withdrawal from the Reichsbank, for shipment abroad, of comparatively small amounts of gold—about 100,000,000, or at any rate less than 200,000,000 marks in gold was withdrawn from the Reichsbank in order to be sent abroad. Now, if at such a time of gold

National Monetary Commission

scarcity the Juliusturm No. 2 opens automatically and its contents swell the gold supply of the Reichsbank, it will undoubtedly have a reassuring effect. If the question be then asked: Where is the money for the crisis reserve to come from, I would refer to the statistics of flotations. We see recorded there a series of foreign loans that Germany bought and did not pay for with its industrial products but with its gold. Two hundred million marks less of such foreign loans, and in their place 200,000,000 marks in gold in the crisis reserve of Juliusturm No. 2!

As regards the investments of the banks in securities and other values considered as liquid, I would specially favor investment in state and imperial loans. I believe that in future the banks will of their own accord increase these investments, if in the regular balance sheets the imperial and state loans will, as Herr Roland-Lücke has proposed, be separately recorded. A rivalry will thereby arise among the bankers not to allow this class of investments to sink to too low a figure. The object will then be attained that in the event of a serious political crisis the banks will not be dependent upon the resources of the Reichsbank alone, but will have resources in their own hands also.

A thing that specially appealed to me was a suggestion made yesterday—it is, to be sure, somewhat beyond the scope of our inquiry—the suggestion that the surplus, or part of it, should be invested in state securities. That is a wish, gentlemen, that I have entertained for a long time; it is a question, however, that does not belong to the bank inquiry, but, in reality, to the law respecting

Bank Inquiry of 1908-9

joint-stock companies; for it is not the surpluses of the banks alone that are involved, but those of all the joint-stock companies. The legal surplus in the joint-stock companies, particularly in the industrial ones, is nothing but a fiction; the surplus exists only in the books, and consists of chimney stacks and machinery, while the law intended to create a genuine surplus reserve fund that could be resorted to in case of necessity. It would for that reason be the right thing, in case the joint-stock companies law is revised, to make a regulation, equally applicable to all joint-stock companies, that the whole, or it may be the half, of the legal surplus reserve fund of 10 per cent must be invested in imperial and state loans. One objection to this Herr Mommsen mentioned yesterday, it is true, and that is the loss in market value of these securities to which one would be exposed ["very true"], and I shall take the liberty of reverting to that later on. This is a point, however, that does not come into question here, but falls under the last head, "Other measures."

The publication of the balance sheets, gentlemen, I regard as most desirable, and the form should, in my judgment, be modeled upon Herr Roland-Lücke's suggestion. The supervising bureau I object to, however, and should wish the Reichsbank to take the place of the supervising bureau, perhaps with an advisory council, which might be composed of members of the Reichstag, members of the Stempelvereinigung, the committee of the Reichsbank, and men of science.

As for the acceptance of interest-bearing deposits by the Reichsbank, I can not approve of it; I do not see that it promises to serve any useful purpose; but I do recog-

National Monetary Commission

- nize that it is fraught with great danger. The deposits of the Reichsbank would either yield interest only after a rather long period of retention, and at a very low rate at that—then it would, of course, obtain but few deposits—or the deposits would bear interest soon after being placed in the bank, and then a great part of the moneys now in giro accounts might be converted into interest-bearing deposits, and the Reichsbank by its obligation to accept deposit moneys and to invest them would unquestionably be diverted from its real mission of regulating the monetary system.

As regards the establishment of government deposit institutions, however, I do not altogether agree with the view that has been hitherto expressed. The voices heard thus far have declared against the establishment of such government deposit institutions. I can not do that in such a sweeping way, for I believe that these government deposit institutions might prove useful in two directions. My neighbor on the right (Mr. Fischer) begged Herr Roland-Lücke not to use the term "postal savings bank;" he agreed with the idea, however, of introducing interest at a low rate upon postal check accounts. I, for my part, would raise my voice in favor of postal savings banks, and believe that the violent opposition of the representatives of the savings banks is without foundation. Postal savings banks would exert a beneficial influence even upon the savings banks, since all those moneys would be attracted and made useful that have hitherto been unable to find their way to the savings banks, but will be able to do so to the postal receiving stations. The postal savings banks would grant only a low rate of interest, a materially lower

Bank Inquiry of 1908-9

one than that paid by the communal savings banks; if the latter give $3\frac{1}{2}$ to 4 per cent, then the postal savings banks could by no means give over 3 per cent, and under these circumstances all competition would, I believe, be precluded and the introduction of postal savings banks offer advantages only.

I can conceive a sphere of activity for imperial and state deposit banks also, which, if confined to this sphere, would be of decided benefit to the public. Owing to our financial embarrassments, we have devised and introduced all possible types of government loans; we have 3, $3\frac{1}{2}$, and 4 per cent loans; we have a sliding-scale loan, the interest upon which drops automatically from 4 to $3\frac{3}{4}$ and $3\frac{1}{2}$ per cent; we have long-term five-year treasury bills and short-term treasury bills. The five-year treasury bills were issued in large quantities, although there is danger that when the time for redemption comes complications of some sort may make it very difficult to redeem them. One of the chief objections to the investment of money in state loans is the loss on the market—a thing that has actually occurred in these last years. Now, if a state debt account or an imperial deposit account were opened, by the terms of which deposits would be allowed a rate of interest somewhat below that of state loans—at present, therefore, about $3\frac{3}{4}$ per cent—with a mutual obligation to give about a year's notice, this would furnish a desirable method of obviating the disadvantages that pertain to investment in state securities to-day.

Herr Mommsen stated that insurance companies and the public savings banks—he spoke of this in connec-

National Monetary Commission

tion with the surplus reserve funds—could not possibly invest in government securities because a large part of the profit in interest, and also of the capital, might be forfeited by the loss in market values. That would not be the case in the arrangement of such a state deposit account as I have indicated, with the provision of a year's notice, and I believe these state deposit accounts would be widely used.

I should like to illustrate this by an example. In nearly all industrial undertakings there are savings banks for the officials and laborers. Thus, in the Krupp works, there is an arrangement for the savings of the workmen, who receive 5 per cent and a premium of 1 per cent, so that all the credits of the workmen bear interest at 6 per cent. These moneys are the small savings which are automatically deducted from the wages after the dropping of a card into a closed letter box. This arrangement has proved highly successful; there are, if I am not mistaken, after ten years of its existence, 13,000 workmen who participate in it; and the total of the savings deposits amounts to over 4,000,000 marks, which are intrusted to the city savings banks. The receiving station in the factory is only an agency, as it were, of the city savings bank, which, on its part, pays $3\frac{3}{4}$ per cent; the difference is made up from the funds of the factory. But there is another arrangement besides this in the Krupp works for savings deposits of officials and laborers, which, according to the last balance sheet, amount to 30,000,000 marks and bear interest at 5 per cent. These deposits are invested in consols, and with them the question of loss in market value is, of course, a very serious considera-

Bank Inquiry of 1908-9

tion, as is that of the difficulty, or even impossibility, of disposing of them in the event of political or grave economic complications. It would, therefore, be very desirable for all establishments supplied with such arrangements if there were a government bank of deposit where they could place deposits bearing $3\frac{1}{2}$ per cent interest, with the provision of a year's notice, but without any danger of loss on the principal.

I should, consequently, most heartily welcome the establishment of such a bank of deposit. Whether it is compatible with the financial interests of the Government to accept such short-term credits is another question, which can not be answered offhand in the affirmative. But that such an arrangement would be welcomed by the public, that I feel is quite beyond doubt.

The organization of a bureau of supervision for the banking system has been so abundantly and searchingly discussed that I can limit myself to expressing my assent to the suggestion that the Reichsbank should take the place of such a bureau of supervision, which would do more harm than good, and unite with the banks in framing measures that seem requisite in the public interest.

It is to the initiative of the Reichsbank and to its cooperation with the committee of the Bank and the Stempelvereinigung that we are, indeed, already indebted for the first step in this direction—the publication of the intermediate balance sheets—so that we may confidently expect that this step will be followed by others.

To the proposition of Herr Roland-Lücke to assign an advisory council to the Reichsbank—somewhat corresponding to the council attached to the government

National Monetary Commission

railway service—which, if the Reichsbank so desired, might consist of members of the Reichstag, of the Stempelvereinigung, the committee of the Bank, and men of science, I can but express my assent.

The question whether the operations of petty bankers, who entice the public to invest their deposits and savings, should be met by legislative measures has been answered in the negative. I likewise expect no good results from it.

I will sum up my remarks, gentlemen, in a few propositions which I submit to your judgment:

1. The Reichsbank shall induce all banks to submit and publish bimonthly bank statements drawn up in accordance with a prescribed form.

This obligation should be entered into by the banks on the basis of a friendly understanding with the Reichsbank.

The Reichsbank should publish a summary of such statements for banks having a capital of 10,000,000 marks or more.

2. The Reichsbank shall provide itself with an advisory council of about 20 members, comprising members of the Reichstag, of the Stempelvereinigung, and of the standing committee of the Reichsbank and also men of science, for the purpose of obtaining their judgment in regard to matters pertaining to the banking system.

I conceive the duties of this advisory council to be, like those of the railway advisory council, purely advisory.

3. The Reichsbank shall induce the banks to maintain greater cash reserves—

and here likewise this obligation should be based on a friendly agreement—

preferably by depositing an amount equal to from 1 to 2 per cent of their outside moneys as a closed money deposit, which shall be reckoned to

Bank Inquiry of 1908-9

the credit of the various depositing banks in their giro accounts when the Bank's discount rate shall reach or exceed 5 per cent.

4. The Reichsbank shall induce the banks to hold a certain amount of state loans, which are to be separately entered in the statements.

A VOICE: Shall that be a friendly agreement, too?

Doctor SCHMIDT. Yes, certainly; everything is to be based upon a friendly agreement; a slight pressure may, to be sure, be exerted if necessary. That this is possible is proved by the fact that it is owing to the gentle pressure of the Reichsbank that the bimonthly balance-sheets are appearing now. For that matter, all these things are in the interest of the banks themselves; the banks must, in case of necessity, fall back upon the Reichsbank, and it is, therefore, decidedly to their own interest to have the gold holdings of the Reichsbank strengthened. They can consequently very well make the slight sacrifice of handing over from 1 to 2 per cent of their outside moneys to be held without interest. You see how great the stock of cash maintained by the English banks is as compared with the German banks. If the English should look at the statement on the last page of our bank statistics their criticism of the condition of the German banks would not be very favorable.

I would furthermore recommend:

5. The establishment of postal savings banks that shall grant a low rate of interest, or a rate low enough for them not to compete with savings banks and Genossenschaften.

6. The establishment of state or imperial banks of deposit, with the mutual obligation of a year's notice; the rate of interest always to be lower than that obtained upon consols.

The additional suggestions that I would make, gentlemen, relate to the last point, No. 5, of the question sheet. In the main their purport would be to urgently advise the

National Monetary Commission

Reichsbank to withdraw the 10-mark pieces from circulation and shut them up, in order to make room for the small notes and silver. I regard the public circulation of 10-mark gold pieces to the amount of 10,000,000 marks as superfluous and injurious. It would, in my judgment, be an easy matter to increase the stock of gold in the Reichsbank in six weeks by 200,000,000 marks if banking concerns were most urgently bidden by the Reichsbank to call in all the 10-mark pieces and not to let them go out again.

I would further recommend, if the joint-stock companies law is to be changed, that it should be provided that the surpluses of the joint-stock companies should no longer be merely set down as a matter of bookkeeping, but that the whole or the half should be expressly invested in German state securities.

These are the suggestions that I would make on point 5.

Mr. ROLAND-LÜCKE. The gentleman who has just spoken pointed out that the banks, in part, state much larger holdings of cash at the end of December than at other times, and that they could consequently keep a stock on hand such as they regard as more or less necessary at other times also. To this, speaking from a practical standpoint, I would reply: This morning everyone of you gentlemen on leaving home looked around for his umbrella. [Laughter.]

If it had been clear and sunny no one, of course, would have thought about his umbrella.

Here you have the natural explanation. I, too, am, for that matter, ardently in favor of the Reichsbank having the greatest possible accumulation of gold in its vaults,

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and the other banks, too, in due degree; but I would most earnestly warn you against making too precise prescriptions or giving too precise indications as to the way in which this object is to be secured, for we should, in the first place, enter a boundless field, and, secondly, we should do far more harm than good. I wish to take up a few points.

The learned member who has just spoken discussed with me in a private interview a matter which I shall now speak about, and I took the liberty of calling his attention to the fact that every broker who has anything to do with the importation of gold is bent upon getting a very clear answer every morning to this question: Is there any spot on earth to-day from which it is possible to bring gold to Germany? If there is a possibility of doing so without having to make a sacrifice, then begins the race to draw this small or great stream of gold into the country. Now, the gentleman who preceded me always declares—and he said that in reply to me, too: Yes, you always say that when you wish to get gold you must pay for it with gold; that is, with foreign gold bills. There he is perfectly right; we must, in the first instance, pay with foreign gold bills; at best, therefore, if we push gold imports too eagerly, we despoil the portfolio of foreign bills in Germany or we deliver over credits upon other places—for example, London—and that brings the necessity of exporting gold nearer. If we export gold bills or gold credits, it is to be deplored, but the general public does not regard it in that way; while if a gold movement takes place it is evident to the public and often gives rise to exaggeration. That is why it is more convenient and

National Monetary Commission

better to give up foreign gold bills in settling foreign obligations. On the other hand, it is a pity—since we admit that the foreign gold bill is, in most cases, a desirable substitute for gold—to be compelled to reduce the stock of foreign gold bills in Germany.

Here the gentleman would interpose: That is not what I meant; I brought out this point distinctly—you bankers take over foreign loans; you must pay for them, practically, in gold; if, then, you did not take them over you could with that gold balance the gold that is imported. It is regrettable, gentlemen, that you do not sometimes visit the banks that handle foreign loans and get closer information on this point, How do matters actually stand as regards the taking over of foreign loans and paying for them? I believe you will find in a great many cases the following state of things. Assuming that a foreign government loan—let us stick to that—is accepted, the point as to what Germany will gain will, in most instances, play a great part in the respective negotiations. Even the severest critic among you would find in this part of the matter many cases which, to be sure, do not exhibit to the distant observer within a few months those economic benefits to Germany that Doctor Wagner has referred to, but whose beneficial outcome—visible, perhaps, only after a considerable time—he will acknowledge. Furthermore, in the proceedings there has been a very careful consideration of the question, How does the settlement of the payment to be made by Germany take place without impairing our stock of gold or making difficulties for our money market? I could prove to you—at this very moment a number of examples come into my head,

Bank Inquiry of 1908-9

and Herr Schinkel also is familiar with some of them—I could prove to you that, in cases where we have taken over large loans, the millions that seemed to be paid so imprudently by Germany to other countries have actually had the effect of causing more than twice the sum in question to stay right here in Germany for years and even until the present time, and I could prove to you that Germany received this double amount from foreign countries, and chiefly in the form of gold. Be assured that I do not advocate an excessive importation of foreign securities; on the contrary, I admit at once that in certain cases some flotations had better been omitted, and I think no one of us who is engaged or has ever been engaged in practical business will hold a different opinion on this point. I am to-day nothing but a private individual; I have no relations with any banks and no influence upon any banks. My judgments are therefore formed from an entirely independent standpoint; I have no interest in view but the interest of the community, in which interest I of course include the justifiable claims of the banks. I should imagine that Herr Geheimrat von Gamp himself would be a person eminently qualified to take up any dozen or so of flotations—he could select them for himself—and study from A to Izzard the question of why these issues were taken over and what effects, direct or indirect, immediate or postponed, they have actually had upon our whole economic condition. I think that he would most likely be convinced that a critic must be very careful about such things.

Now, the honored gentleman who preceded me placed before us definite measures (a) (b), (c), (d), as definite

National Monetary Commission

suggestions for us to make, or resolutions for us to adopt. Well, gentlemen, I should like to utter a warning on this point. I should not like the proposed banking commission to be provided at the outset with an iron suit of armor from which it can not emerge and can have no incentive to emerge; we should be setting up this commission upon a very weak foundation if we were to limit its initiative and responsibility, and fix the bounds of what it shall and what it shall not do. If you admit that we should not confine ourselves to efforts in the direction of intelligent self-government, but should set up a commission as a sort of trusty companion for the Reichsbank and the other authorities, then let us merely advise that such a commission be formed, and let us give only general suggestions as to how it should be composed. Its function should be, not only the giving of advice when its advice is sought, but also the making of suggestions to the Reichsbank and thus indirectly also to individual companies or individual branches of industry, as German economic conditions may require. I have laid great stress upon the necessity of frequent automatic changes in the membership of this commission, and the speech made yesterday by Freiherr von Cetto absolutely failed to convince me that these frequent changes are not advisable. Of course, a certain continuity must be maintained, but my plan allows for this, and I do think that every year three-quarters, or at least one-half, of the members should be automatically discharged, so that new blood may always come in without anyone feeling hurt. I should like, in closing, to warn you once more

Bank Inquiry of 1908-9

against such formulations as those proposed by the previous speaker.

Doctor SCHMIDT (rising to make a personal remark). In order to exclude the possibility of misunderstandings that might arise later, I wish to remark that I do not wish my proposals to be looked upon as proposals of the commission. Under Nos. 3 and 5, measures of various kinds are proposed, and I thought the members of the commission might bring forward in this connection whatever additional proposals they might desire to make.

Freiherr VON GAMP-MASSAUNEN. Gentlemen, before I pass to the questions themselves which are concerning us just now, I feel called upon, in view of the eminence, not only among us, but in the country at large, of Exzellenz Wagner—I feel called upon to make first of all a brief reply to him.

I frankly acknowledge that I have been, and on the whole still am, an unqualified adherent of his scientific views in the domain of social policy. But the more I have had to do with practical affairs, the more I have felt it necessary to correct my views in some essential points, and I think that Exzellenz Wagner too, if he should ever be placed in a similar situation, would change his mind on many matters.

I should like to select a few points.

First as to the question of what dividends can be regarded as justifiable. If I am not mistaken, Exzellenz Wagner was inclined four days ago to draw the line at 5 per cent.

Doctor WAGNER. Only by way of example.

National Monetary Commission

Freiherr VON GAMP-MASSAUNEN. To-day he has sanctioned 6 per cent, and if he goes on like this, he will soon come to dividends that overstep even the limits that I think desirable. [Laughter.]

Doctor WAGNER. I meant to give only an approximate figure; my idea is that as a general thing it is sufficient if the interest on the shares is such that they stand, on the average, at par.

Freiherr VON GAMP-MASSAUNEN. But the market price of shares depends primarily upon the safety of the undertaking. If we take the case of a sound railroad, for example, or the Berlin street railway company, or any undertaking whose shares on the whole command a higher price than that of state securities, then if we take 5 or 6 per cent as being the normal rate of dividend, these shares will rise to 120, 130, or 140. To correspond to a par quotation for these shares the return on them would have to be only 4 per cent.

But if, on the other hand, we are considering risky over-sea undertakings, we shall, of course, regard a much higher interest as normal and justified.

And should not undertakings that are conducted by particularly efficient and intelligent persons be regarded as having a just claim to higher dividends?

I should also like to have Exzellenz Wagner consider that in every industrial undertaking, especially in the old, safe undertakings, the working capital is considerably larger than the share capital. I can tell you about an enterprise with which I have close relations that has a share capital of 36,000,000 marks and a working capital of 100,000,000 marks or more. The additional working

Bank Inquiry of 1908-9

capital consists of surplus earnings that were laid by perhaps ten or fifteen years ago; of dividends that the shareholders have renounced in order that the undertaking might be better equipped. In this way one comes later to dividends which are considerably higher than what Exzellenz Wagner regards as proper, while if he knew the circumstances he would have to admit that they are not so very much higher. It is a cardinal error to assume that the working capital of a joint-stock enterprise is identical with the share capital.

Exzellenz Wagner speaks also of the excessive expansion of industry. Here, too, I can only say that I am obviously in closer touch than he is with the circumstances, and I know how very carefully the ground is examined before a great enterprise decides to apply large amounts of capital to the extension of its plant. It is unfortunate that I had to be absent yesterday and the day before, but I do not regard this absence as altogether without benefit to myself, for in these days I have been obliged to take up in all its bearings the question of how necessary it is, in case of an excessive strain being made upon the capacity of one's plant, to consider whether one should or should not enlarge it to a considerable degree. You make a squeeze; you try to satisfy the constantly increasing demand from the consumers by lengthening the hours of work. Finally this won't do any longer, and the management is simply confronted with the necessity of enlarging its plant. As for its being a fine thing to expend millions, I should not often be willing to go so far as to say that; but the decisive thing in the matter is dire necessity. Our manufacturers would have to take a back seat

National Monetary Commission

if they were not in a position to satisfy the needs of the market.

Then, too, Exzellenz Wagner says that there is a lack of regulation of the amount of production. Now, many of the syndicates have found excellent ways of regulating it. I think the services of the syndicates in this matter have been greatly undervalued. I myself am of the opinion that, leaving aside certain excesses—and these happen in everything—the syndicates have had an excellent effect on the regulation of production and that they have taken up and carried through the task of propping up and maintaining the smaller enterprises.

And as for the great expansion* of our industries, that is largely the result of competition with other countries. Our industries have developed gradually. Even to-day there are hundreds and thousands of small manufacturers whose equipment is not by any means up-to-date; they are trying to make both ends meet and to keep in the running by denying themselves any improvement in their standard of living. Finally, they become convinced that this will no longer do; they have to raise large means, and when they come to the bringing of their plant up-to-date, they generally become convinced that the best plan is to build up an entirely new plant and make full provision for the future, feeling that the expense of the transformation is not greatly increased thereby. Our state enterprises are often accused, and not unjustly, of building railroad stations, for example, in such a way that by the time they are completed they are again too small. This consideration weighs with every manufacturer when he is deciding whether he had not better make a little extra investment

Bank Inquiry of 1908-9

in his factory, and, as a rule, he comes to the conclusion that it is the best thing to do.

Now, I do not at all deny that the transformation of so many branches of industry into joint stock companies and the connection of these branches of industry with banks has occasionally led to excessive expansion, since it is often to the interest of the banks to raise large sums of money, etc. It also sometimes happens that personal factors, as Exzellenz Wagner has said, play a large rôle in the management of the joint stock company (which does not always keep on having the same manager). Especially operative is the inclination to outdo others. The Dresdner Bank was a very small bank when it was first established, and when the Deutsche Bank increased its capital and the Dresdner Bank followed suit, it was easy to see that personal motives entered in. But to lay down the law to industry as to what investments it shall or shall not make—that would be quite impossible. Nor, indeed, did Exzellenz Wagner mean that this should be done; he merely wished to describe in a general way the state of affairs. But from these premises he draws what seems to me the wrong conclusion—that our legislation is of a plutocratic character.

Doctor WAGNER. No; our economic development, not our legislation.

Freiherr VON GAMP-MASSAUNEN. Very well, then; our economic development. I am glad that Exzellenz Wagner does not describe our legislation as plutocratic. But what of the accusation that our economic development is plutocratic? We still have such a small number of millionaires in Germany that it would be a very good

National Monetary Commission

thing, indeed, for our economic condition if the number were doubled or tripled. Here I do not share the view of Exzellenz Wagner; on the contrary, I agree with Prince Bismarck, who said, "We always need rich people to defray the expenses of our production." But I should really like to ask Exzellenz Wagner to explain what the millionaires have to do with the social question and the question of wages. Do you really think that if wages were doubled this very day, everyone would be better off? It is only by an increase in the grain harvest and in the other means of subsistence that the people can be better nourished. If our people are being better nourished to-day than they ever were before in spite of the fact that the hours of work have been shortened, that is because agriculture has rendered the eminent service of supplying the nation with larger quantities of food supplies for the same expenditure of labor.

But one somehow got the impression from what Exzellenz Wagner said that he meant to accuse our legislation itself of being plutocratic. He made special reference to our tax legislation. Now, I am convinced that Exzellenz Wagner has a hundred times as much influence on our legislation as Krupp and other very rich people ["very true"], though I do not, to be sure, regard this as being always a good thing. ["Very true."] I think that men like Krupp, and all the rest of them, who give employment to thousands of people, might be allowed to have a much greater influence upon our legislation, and I do not think this would have any objectionable effect upon our economic life. ["Very true."]

Bank Inquiry of 1908-9

But to go on with the question of social policy. I have made in the past practical proposals in several directions, and when I glance over the development of our social legislation I find that the things I recommended in 1880 have mostly gone into effect. But of this there can be no doubt—we have come to have a mania for social reform at any price, and I wish Exzellenz Wagner would remember that the burdens of social reform fall not only upon the millionaires, but also upon the little employers, who have to go through great privation in order to raise the funds necessary for insuring their workmen.

And Exzellenz Wagner must not forget the competition with foreign countries. Many branches of our industry have to come into competition with other countries; and the industries of other countries, especially of America, are obliged, just as ours are, to send a large part of what they produce into foreign lands at minimal prices. Our industries will be ruined if we put heavier burdens upon our production than other countries put upon theirs. This is why I have always told the Social Democrats—and I should like to give the same advice to Herr Singer to-day—that they had better see to it that the same reform legislation is introduced into America, France, England, Belgium, etc.—then we shall have less trouble in coming to an agreement on these questions.

Mr. SINGER. Our people in other countries are trying to do that very thing.

Freiherr VON GAMP MASSAUNEN. Well, we shall probably have to wait a little while yet, for there is a good deal of difference between trying to do a thing and doing it.

National Monetary Commission

Only yesterday I heard another outcry about the bureaucratic legislation which requires an industrial concern that introduces the nine-hour day to maintain accurately the intermissions for lunch, dinner, etc. It is this sort of thing that stands in the way of cheerful cooperation on the part of our industrial interests.

But Exzellenz Wagner himself could have told us, since he certainly knows, what enormous amounts are spent by the employers as voluntary contributions for the welfare of their workmen. ["Very true."] Every year the statistics are made public in the Central Union, and it is shown that more than a hundred million marks have been spent in voluntary contributions. But these figures do not come near to representing the amount of voluntary activity carried on by the industrial concerns for the benefit of the workmen. I once mentioned a few examples in the Reichstag; I referred to the Königs und Laura-Hütte; I referred to Krupp, and I believe it was only the modesty of Doctor Schmidt that kept him from giving you these figures. I should award the first prize to the firm of Krupp, but I wish to add at once that, though Krupp has broken all records in this field, still a great many other firms have striven to make progress in the same direction so far as their means permit. A year or two ago—I do not know what year it was that I spoke of the matter in the Reichstag—the firm of Krupp paid 14,000,000 marks in dividends, and in the same year it spent 12,000,000 in taxes, in compulsory insurance contributions, and above all in voluntary contributions for improving the lot of the workmen. Thus the amount spent for the benefit of the workmen or of the community was

Bank Inquiry of 1908-9

83 per cent as much as the amount received by the shareholders, and whereas the amount expended on compulsory insurance was three and a half millions, the amount given in voluntary contributions was 5,000,000. The voluntary offerings, therefore, were far more than the amounts given under legal requirement.

I once made a similar statement in the Reichstag in regard to an undertaking concerning which I have more definite and detailed information—I mean the Elberfeld dye works. It was calculated—I shall now have to trust to memory—that for each workman employed about 143 marks a year was spent by the concern in voluntary contributions, and if Exzellenz Wagner will be good enough to turn to his right-hand neighbor (Herr Geheimrat Riesser), he will hear how the Elberfeld dye works care for their workmen, how they have put up hundreds of dwellings, how there exist the best economic and social conditions, and how, in spite of what Exzellenz Wagner would certainly call enormous dividends, the workmen are well paid and happy and contented. He would also learn how the workmen there are treated, how gratefully they acknowledge what the concern does for them, and how well off they think themselves. I think it is very desirable that the men of science should at last give due weight and consideration to this aspect of the matter. It must be a source of bitter feeling to the employers to be told over and over again, on every occasion, that they do nothing for their workmen, that the wages are too low, etc. Once, on the floor of the Reichstag, I pointed out to the former secretary of state, Count Posadowsky, that the ill feeling prevalent among employers is not due to

National Monetary Commission

the heavy burdens they have to bear, but to the constant badgering and the rigorous control of their management, and that it is largely this kind of ill feeling that is causing the old established industrial families to withdraw more and more from business. They say, "We can not stand this treatment any longer."

A VOICE. It is disgusting to them.

Freiherr VON GAMP-MASSAUNEN. Yes, disgusting; that is the right word. And Exzellenz Wagner will be as sorry as I to see things pass more and more into the hands of joint-stock companies.

I wish to bring up one more point, one that Exzellenz Wagner also touched upon, but from another standpoint. He referred to the extraordinary increase of riches. It is my belief that this increase has been greatly over-estimated, and that the figures that Delbrück and Steller have given in regard to the national wealth are very incorrect. I have myself tried to convince my colleague and old friend Delbrück that his estimate of the value of country real estate is entirely wrong, and I hoped he had been convinced.

Doctor WAGNER. I did not say a word in support of Delbrück's estimate.

Freiherr VON GAMP-MASSAUNEN. I am glad of that, but it would be nice if you would plainly say so; you spoke in a general way about the increase of wealth—

Doctor WAGNER. Not in connection with country real estate.

Freiherr VON GAMP-MASSAUNEN. Then I must set Exzellenz Wagner right on this point. Of course, the wealth of the landed proprietors has increased, as well as that

Bank Inquiry of 1908-9

of the industrials, but this prosperity shows itself most of all in improvements in the instruments of labor. Look at my estate, for example. My father bought it fifty years ago for 200,000 marks, and it is now worth 800,000 or 900,000 marks. The reason it is worth so much more to-day is that there are buildings upon it to the value of 300,000 or 400,000 marks; that the chattel value runs up into the hundred thousands; that the land is drained; and that there are better means of communication.

It is the same way with industry; much the greater part of the money acquired in industry is reinvested in the plant; and through improvements in the plant the wealth of the owner is again increased and also of course the possibility of larger cash income in future.

A VOICE. That is a crime. [Laughter.]

FREIHERR VON GAMP-MASSAUNEN. Just compare America and Germany in this respect. How is it that America has so great a productive capacity in all branches of agriculture and industry; how is it that it can always keep on increasing its output? The reason is that in the great factories there are the best equipments; the machinery is improved and perfected to the very utmost. It is absolutely necessary for our industries to make strenuous efforts in this direction if they are not to drop way behind. ["Very true."]

I now come to a question in regard to which I am much more in sympathy with Exzellenz Wagner. I agree with him that our banks have much too small an amount of cash cover, and I think it is fair to demand that those institutions that have large quantities of savings deposits and demand obligations should be

National Monetary Commission

required always to fulfill their obligations by means of their own resources, without calling upon the Reichsbank for assistance. The English bank inquiry commission appealed to the banks to make some sacrifices on their own part in order to make the money and credit system more secure—an appeal which until that time had found little favor among the English banks. This same appeal we must make over and over again to our banks, and if they will not respond to it, they can not blame legislation if it finally steps in and overrides them.

I say that the cash reserve of the banks is too small. Reference has been made to the enormous cash holdings of the banks on December 31. Now, I do not imagine, Herr Roland-Lücke, that the banks keep these reserves merely by way of a buttress. The bank act prescribes that balance sheets must be made out every year. Now the banks have chosen, so far as I know without exception, the first of January as the date for the balance sheets, and one can easily see why they should make an effort to appear before the public in full dress on this occasion. The consequence is that on December 31 the Reichsbank is deluged with demands. The banks simply try to draw money from the Reichsbank into their vaults, in order to be able to shout "Just see how prudent we are; we have so and so many millions of cash, outside moneys, and coupons," and a month later it has all disappeared; the banks no longer need to declare their cash holdings; the figures given on December 31 are true only for the moment and lead to false conclusions.

I will add at once that these balance sheets are entirely inadequate. It is doubtful, for instance, whether credits

Bank Inquiry of 1908-9

at the Reichsbank are or are not included under No. 1. Now we have at the Reichsbank about 150,000,000 marks of so-called compulsory credits.

A VOICE. That includes imperial credit.

Freiherr VON GAMP-MASSAUNEN. Well, even if you subtract the compulsory credit of the Empire there will still remain a very large sum—a hundred and odd million—of credits that are plain compulsory credits, and can not, therefore, be demanded at any moment.

A VOICE. All the holders of giro accounts taken together?

Freiherr VON GAMP-MASSAUNEN. Certainly; all the holders of giro accounts taken together. Well, then, these compulsory credits can not be regarded as cash holdings that are always at one's disposal. [An interruption.] Unfortunately statistics do not show how much of the compulsory credits belongs to the accounts of the banks. Perhaps the Reichsbank will have the kindness to accede in future to the wish of Herr Mommsen, with which I sympathize, and will make a separate entry for the banks. [Laughter and an interruption.] But you said there was no separate entry for the banks.

Mr. MOMMSEN. I expressed no wish on the subject.

Freiherr VON GAMP-MASSAUNEN. Then I should like to express the wish, and I hope to have the support of Herr Mommsen. Then, again, what is meant by foreign money? Does the term include foreign notes? Surely these also are not realizable at any moment. In short, the balance sheets do not give the information one would like to have from them. The suggestions of Herr Roland-Lücke on this subject are very well worth consideration,

National Monetary Commission

since they embody just about the minimum of what must be required.

Doctor Schmidt says it is absolutely necessary that an increase of the gold holdings of the Reichsbank be brought about. I think this in some sort questionable, and that for two reasons. In the first place, the gold holdings of the Reichsbank serve as the basis of its business transactions; it has to make them yield interest; it is bound to give the shareholders certain dividends on them. They must, therefore, be put into the business, and for this reason they can not, in my opinion, perform the function that a second Juliustrum would be designed to perform. In the second place, I am afraid—and this is something still more important—that the gold holdings of the Reichsbank may at any time be taken away by foreign countries. When we read the moving complaints of the English bank inquiry commission, when we hear it said openly by the first authorities on the money and credit system that the English bank can no longer keep up its standard of paying all demands that are made upon it in gold—when we hear such things as these we should take them as a warning that we must protect our Reichsbank more effectively against the export of gold. Doctor Schmidt has called attention, as I myself did some time ago, to the great risks we are taking in this continual placing of foreign loans one after another in Germany. He has shown how we borrow the money in part from other countries for a little while and how we may and often do fall into difficulties when the other countries take their money back again. The separation between domestic and foreign credits at the bank

Bank Inquiry of 1908-9

is absolutely necessary to enable us to get a proper view of the business activity of the banks.

Herr Schinckel tells me, and he has also recently made the statement for himself, that the statistics concerning the introduction of foreign loans are very incorrect when examined in detail. I admit that; but if, of the 969,000,000 marks that are given as the amount of foreign investments for this year up to October 1, we have actually paid for only 500,000,000 or even 400,000,000 with German capital, even this is, in my judgment, under existing money conditions, such an enormous strain on our gold resources and our means of payment that I regard it as in the highest degree objectionable.

Now, it has been said—and I am willing to admit it—that the banks have business relations that must be kept up. Yes, but in that case business activity must in some way or other be curtailed, and it would seem that the best way of curtailing it would be to require the banks to keep on hand in the form of cash a certain proportion of their demand obligations and of all those that are due at eight days' notice or at shorter notice. Gentlemen, I am of the opinion that even without legislation this might be accomplished if the Reichsbank would not only adopt a friendly attitude toward the banks, but would also not be shy of exercising a gentle pressure, or even of giving an occasional poke in the ribs. In England everyone says that it is an unheard-of thing for the banks to be neglectful of their duty; and I think that in this way our banks would finally build up a certain amount of security, and that even in critical times they would be able to fulfill their obligations. Somehow or other this is what we must accomplish.

National Monetary Commission

Herr Roland-Lücke, or perhaps some one else, has said that the fear of the Reichstag as legislator runs like a red thread through the whole of our discussions. I understand this fear perfectly; but if you realize what is to your own interest, you will take care to order things on your own initiative in such a way as not to afford public opinion and the Reichstag such a wide field for attack. The inclination to get hold of the reins of legislation is not present in nearly as many of us as you suppose; but the fact is the pressure of public opinion can not be resisted, and if the banks will do nothing, and if nothing comes of these bimonthly balance sheets—and I do not believe they will be of any real service—then the time will arrive when the Reichstag will say: We have waited long enough, we have tried everything, we have instituted the Bank Inquiry, but nothing has been accomplished; now legislation must come to the rescue at last.

For both these reasons, gentlemen, I am opposed to causing these gold holdings to go to the Reichsbank. In regard to this proposition I am in entire agreement with the view of President Heiligenstadt, who has also been supported by Exzellenz Wagner, that the banks ought to hold a not inconsiderable cash revenue, so that they may be able to fulfill their obligations when, in times of crisis—even of small and short-lived crises—demands are made upon them.

I am also in sympathy with the opinion expressed to-day by Dr. Schmidt that we need an imperial deposit bank—or rather a deposit institution, for it ought not to be a bank—to which the savings banks, Genossenschaften, and banks that have savings deposits and short-time obliga-

B a n k I n q u i r y o f 1 9 0 8 - 9

tions—to use a general phrase—should be required to bring a sufficient supply of cash for securing these obligations. The institution should also be required to receive deposits, at least from public institutions. The question of whether it should also be made accessible for private business is one to which I shall not at present give a definite reply. But if our commercial law were to establish the obligation that the surplus must be invested in state paper, or if such an obligation were laid upon the savings banks and the Genossenschaften, then certainly the necessary arrangements would have to be made; for we can not expect these institutions to keep on losing ten per cent of their whole capital as they have been doing for the last ten years. Guarantees would have to be given that these obligations would be redeemed at par.

The proposal I made in the earlier deliberations of the inquiry commission was perhaps not quite rightly expressed. Nevertheless, Dr. Schmidt understood it aright, for in essentials he adopted it. I wish to have an imperial deposit institution, and say it should give bond for its deposits, but I repeat that I would not entrust to this institution really short-time deposits. Nor is there any necessity for this. To meet the needs of the public institutions referred to, of the bank surplus, etc., it is quite sufficient to have the acceptance of deposits limited to deposits which can be demanded only upon three months' notice.

But, gentlemen, if this imperial institution issues imperial bonds for the deposits, and gives them to the depositor, that will be nothing more than to replace the certification of the deposits—which, after all, is likewise

National Monetary Commission

an imperial bond—by the issue of a coupon bond. Of course these would be peculiar bonds, involving the obligation to return the principal upon three months' notice. This scheme presents the very great advantage that the institution would be saved a great deal of labor, and there can be no doubt that it would be far more convenient and agreeable for the depositor to get his coupons along with the bond, and to be able to use these coupons as cash at the post-office and everywhere. It is self-evident, too, that this will furnish a means for the Government to borrow at a low rate of interest, for if these bonds were even to bear only 3 per cent interest, every depositor would be entirely satisfied with it, and in this way several hundred million marks would perhaps flow into the imperial treasury.

Of course an imperial institution of this kind would have to be managed upon quite distinctive principles, and first and foremost it would have to have absolute fluidity.

Mr. MOMMSEN. But a lower rate of interest?

Freiherr VON GAMP-MASSAUNEN. If the banks wish to get a higher rate of interest, then what we ask of them would be no sacrifice, but would only give them a favorable opportunity to increase their dividends. There is, of course, a sacrifice they must make—a sacrifice of 1 per cent. This is the contribution that they must make to the guarantee fund; there would be no difficulty about that.

This institution will also be in a position to help the Reichsbank. But it makes a very great difference whether, when the Reichsbank is in need, this institu-

B a n k I n q u i r y o f 1 9 0 8 - 9

tion lends it 40 or 50 millions of gold, as the Bank of France lends to the Bank of England, with the obligation that the gold shall be returned as soon as the critical time has passed, or whether the Reichsbank gets the gold as working capital. I can not see what objections can be made against the latter course.

It may, to be sure, be urged that it would result in a diminution of the rate of interest which the imperial institution would be able to pay on its deposits; but this disadvantage is insignificant in comparison with the great advantage that we should have this second Julius-turm. In 1907, when the Bank of England was in such straits that it had to borrow gold from the Bank of France, the Reichsbank succeeded in absorbing into its treasury about 200,000,000 marks of the gold that was being used in the channels of trade. This process, however, is extremely difficult, and in the future it will be still more difficult, since the chief means that was employed at that time—the putting of small notes into circulation—can have, after all, only a limited effect.

But, gentlemen, if we establish an imperial deposit institution, and thus create a gold reserve of 200 millions, then this gold will be at the disposal of the Reichsbank whenever a serious crisis arises, although of course the Reichsbank will be obliged to give it back again as soon as the crisis is past, and not to employ it as part of its own working capital. Even so, it will be a very great source of relief to the Reichsbank.

Now, in consideration of the fact that the reserves of private banks, savings banks, and Genossenschaften are very largely concerned in the matter, I should advise that

National Monetary Commission

the private banks, savings banks, etc., be given some share in the management of this institution. I wish also that there may be a committee, such as was suggested by Herr Roland Lücke, which should likewise take part in the management. Gentlemen, I have often had occasion—though I wish to keep clear of personalities—to speak of the Reichsbank committee as it exists at present; at any rate, no one will maintain that this commission is allowed to participate in any effective way in the management of the Reichsbank or that it has the power to initiate measures that are too radical.

But if we make this arrangement, we should be most decided in our opposition to an imperial supervisory authority. I was for many years an official, and I certainly have no excessive prejudice against bureaucracy; but, gentlemen, I must say that in the domain of practical economics such things are almost always failures. ["Very true."]

We have instituted the bureau of supervision for private insurance companies. Doctor Wagner said that in spite of the activity of this bureau there still remain certain defects in connection with fire-insurance policies. [Remonstrance.] Yes, you said there was still something to be desired in the matter of policies; I think I am not mistaken.

Doctor WAGNER. I never said a word about policies.

Freiherr VON GAMP-MASSAUNEN. Then it was some one else. But in order to remove the evils existing in connection with many insurance companies, it would have been sufficient to appoint an inquiry commission; and a commission should have been appointed to investigate

Bank Inquiry of 1908-9

the conditions and to give specific directions as to what reforms must be effected. But as for the creation of a permanent institution, what has that led to? The insurance bureau has now accomplished its real task, and is looking for work—it is going up to the little institutions, the printers' death fund, and the like, which have existed for several decades in small places, and raising the question whether they are in sound condition.

I think that if the imperial institution were established and if such an additional council were established as I have indicated, then the chairman of the imperial institution—and I have other reasons besides those which I have given for considering him the proper person, rather than the president of the bank—the chairman, I say, might be empowered to establish normative regulations in regard to the arrangements of the bank, the balance sheets, etc.

And, gentlemen, one thing more. Why is there such agitation among the banks against an arrangement based upon legal compulsion, when it has been thoroughly tried and tested in the case of the cooperative institutions; why is there such agitation against the requirement of examination by trustworthy public agencies for the banks that receive deposits? At one time we had unhappy experiences with the *Genossenschaften*, and public sentiment demanded an examination of them; the state was urged to take charge of this examination. The Reichstag hit upon a middle course and introduced the system of obligatory examinations. Every two years each *Genossenschaft* must be subjected to examination, and that by persons whose trustworthiness is, I believe, attested by the government; the results of the examination to be laid before

National Monetary Commission

the supervisory bodies of the Genossenschaften and their management. This system of obligatory examination has been thoroughly tested, and the banks would also be in a position to create these organs for themselves on their own initiative. [An interruption.] Ah, Herr Riesser, that would be an entirely different thing! If the banks were to intrust the examination to their own agent, or ten agents, and have them submit a report that is to be seen by no one else but the bank directors, why that, to my mind, would be a farce. [Laughter.] I think that independent agencies should carry on the tests; I think the appointments should be made without reference to the managers of the banks and that the trustworthiness of the examiners should be officially attested. And then—I have this idea from Doctor Weber; I do not know whether he has given it here, but at any rate I can not claim to have originated it—then this board would submit their reports to the supervisory council, which would thus be enabled to remove whatever defects might have been found to exist.

Such examiners as these would, of course, have a very different function from that of the examiners or auditors who are now employed by the banks themselves; they would give the supervisory council a chance to exercise conscientious and effective supervision, and this is a thing greatly to be desired. For the supervisory council would be very much indebted to an agency independent of the management of the banks, which should keep watch over developments and report on them at the proper times, laying its finger upon doubtful and dangerous spots. The bankruptcy of the Leipziger Bank would certainly not have taken place, had the supervisory council known three or

Bank Inquiry of 1908-9

four years beforehand what was going on in that bank. At present the supervisory council of the banks can exercise no reliable supervision over the conduct of business. Often the choice of members actually lies with the board of directors. But many men would be careful about accepting a position on the advisory council, with the obligation laid upon it by the stock companies act, if they knew that by the report of the examiners they would be given an insight into the doubtful affairs of the business, and that they would be liable to such reproaches as this: You did not obey the requirements of the stock companies act; you did not apply yourself to the task of supervision with the care of a sound business man; you are responsible to the shareholders for this. The result of this would be very great carefulness on the part of the supervisory council, so that from this standpoint, too, the system of obligatory examination is imperatively called for.

In conclusion, I should like to make a remark on the subject of how the dangers mentioned in the fourth question can be obviated. I attach very little importance to this question. I believe that if the proposals I have made meet with approval, it will very seldom happen that any appreciable danger of this kind will arise for persons who are fairly careful; if, that is, the following regulations are adopted:

First, that demand obligations and obligations payable on short notice shall constitute only a certain percentage of the bank's own working capital;

Second, that for these investments an adequate cash reserve shall be created by deposition at the proposed imperial institution;

National Monetary Commission

Third, that the banks be required to submit to a regular revision by trustworthy organs;

Fourth, that the banks be required to publish detailed balance sheets every month.

I should recommend that we await the issue of those measures which the legislature or the management may think good to take.

Doctor RIESSER. I did not suppose we should finish our deliberations to-day. Unfortunately, however, I must take my departure to-day, and I therefore beg that our president will permit me to hand in, in written form, the observations to which to-day's discussion has given rise, or will give rise, in my mind.^a

The CHAIRMAN. I have no hesitation in acceding to this request.

^aThis paper of Herr Geheimrat Doctor Riesser, which was handed in later, is as follows:

To the observations made at the last session by his excellency Professor Doctor Wagner I merely wish to make the following reply:

I agree with him that Germany has long ceased to be a purely agricultural country and has become even predominantly a commercial and industrial country, and I should not like to see it develop into a country engaged in commerce and manufactures exclusively. On the other hand, there are two points in which I do not agree with him.

We have fixed the denomination of the shares at a minimum of a thousand marks and have declined to authorize shares of such small denominations as they have in England—shares of £1 sterling, or 20 marks—precisely because (contrary to Wagner's view) we did not consider it desirable that the lower and middle sections of the community should become in any large measure interested in stocks. If the state of a man's finances is such as to oblige him to look anxiously every day at the stock quotations, that man should, in my opinion, steer clear of buying dividend papers, since at any unfavorable turn of affairs not only the dividends themselves, but also the market price of the papers, which depends upon the amount of the dividends, may go down.

Furthermore, I do not agree with Wagner in thinking that here in Germany the rate of increase of private means and private incomes is on the

Bank Inquiry of 1908-9

Doctor HEILIGENSTADT. Like several others of the gentlemen who take part in these discussions I am prevented by official duties from being present at all the sessions. Much as I have tried to postpone meetings it has in many cases been impossible to do so, and much to my regret I was obliged to be absent yesterday and on the afternoon of the day before yesterday. Permit me, therefore, to examine briefly the criticism that has been made of my paper of the day before yesterday before I express my opinion on the special points under discussion.

Gentlemen, in the list of questions there is one (I., 2a) concerning the nature and meaning of deposits and savings. Herr Direktor Doctor Schmidt has to-day again pointed out—and I emphasized the fact in my own paper—that the account-current moneys must by all

whole too rapid—a question that I have repeatedly investigated statistically; and I think that the respect and consideration that is accorded to us by foreign countries, and also therefore in international world politics, is in large measure dependent upon constantly increasing our national prosperity.

But leaving aside this element of the case, there has happily not been in our country a one-sided increase of mobile capital and the incomes derived from mobile capital. On the contrary, there has been all along a very notable increase in agricultural production, which now amounts to some fifteen billion marks a year, also in the profits derived from agriculture; in the amount of arable land; and in the prices of agricultural products and of country real estate, the aggregate of country real estate being now valued at fifty or sixty billion marks. This increase in the value of country real estate has been brought about, or at least largely influenced, by the considerable improvements in farming methods and machinery, as also by the improvement in the agricultural credit system.

I am convinced, therefore, that, fortunately enough, there can be no question here in Germany of a one-sided expansion of the national prosperity caused or encouraged by the banks; no question of this expansion being confined to mobile capital. This conclusion is confirmed in many other ways by the material officially published on the occasion of the establishment of the so-called imperial finance reform of 1908-9.

National Monetary Commission

means be included in our investigations; the account-current moneys are, indeed, in my opinion, too, of much greater importance than the deposit moneys.

On the day before yesterday, in the afternoon, Herr Schinkel and Herr Roland-Lücke were engaged in criticising the remarks I made a few days ago. With the permission of his excellency the president of the Reichsbank I was given the stenographic report, and I shall now proceed to make some reply to their criticism of my remarks about the classification of outside moneys. I do this because I regard the classification of outside moneys as enormously important for the clearing up of a great many questions. Although I do not imagine that my classification will be at once accepted, I still believe it to be the right one, in spite of the criticism of these gentlemen.

This is exactly what Herr Schinkel said, according to the stenographic report:

“But for the rest the considerations he brought forward are pretty far removed from the sphere of really practicable legislation.”

A literal quotation, gentlemen. But I said nothing at all about legislative measures.

Mr. SCHINCKEL. I merely pointed that out.

Doctor HEILIGENSTADT. In the stenographic report that I have before me what you said surely has a somewhat different meaning. At any rate, I have so far made no suggestions in the way of legislative measures; in fact, I have confined myself entirely to expressing my disapproval of certain legislative measures that were being debated. I opposed the establishment of a special-deposit

Bank Inquiry of 1908-9

bank; I opposed the acceptance of interest-bearing deposits by the Reichsbank, and also the formation of the Zentralgenossenschaftskasse into a general deposit bank with branches in the country. This part, therefore, of Herr Schinkel's criticism is rather wide of the mark.

Herr Roland-Lücke has also, according to the stenographic report, attributed to me things that I did not say. He says: "I will go still further. President Heiligenstadt gives an analysis of the parts played in our economic world by the producers and the nonproducers." I did nothing of the kind. I merely said, with reference to the classification of outside moneys, that a convenient principle of classification is furnished by their sources—that is, by whether they are invested by consumers or producers.

Furthermore, Herr Schinkel said in his criticism that, "to tell the truth, he had not understood me." Herr Schinkel has just confirmed this with a nod. Nevertheless, he did not hesitate to criticize that which he did not understand.

I think that Herr Roland-Lücke also did not understand what I said.

Mr. SCHINKEL. Where is the criticism?

Doctor HEILIGENSTADT. I am coming back to that. I hope Herr Roland-Lücke will not take it ill of me. But I must say that when he talks about mechanical and intellectual producers, and is by way of insinuating that I called a doctor who sets a workman's arm a drone——

Mr. ROLAND-LÜCKE. I only said that this inference could be drawn from your speech.

Doctor HEILIGENSTADT. He shows that he has not understood what I meant. Perhaps I am partly to blame

National Monetary Commission

for this misunderstanding. Perhaps I assumed, in making my speech, that the gentlemen were more thoroughly informed than they are on important elements of political economy, especially on the theory of incomes. Gentlemen, I have assumed only such information—and the representatives of theoretical political economy whom we have among us, Herr Exzellenz Wagner and Herr Geheimrat Lexis, will bear me out—I have assumed only such information as is contained in the smallest primers of political economy. I had not thought it necessary, here in this assemblage, to make a long and tiresome introductory exposition of theories.

I think my division into producers and consumers will be comprehensible to all who have ever concerned themselves with questions of political economy; they will know exactly what I mean.

I have said that the income of producers is derived directly from the production of commodities, and that the income of other classes, which I call, for short, consumers, is not derived directly from this source. I think there can be no difference of opinion among theoretical economists on this point, and I beg that the theoretical economists among us will correct me if I am mistaken, if what I have said is wrong, for I myself belong no longer in the ranks of theoretical political economy, but in the sphere of practice.

Then, Herr Schinkel, you advanced, as an argument against me, the assertion that every producer is a consumer. I did not say he was not; what would you prove by this truism? But the goods that the producer, as a human being, uses for his own subsistence—that is, con-

B a n k I n q u i r y o f 1 9 0 8 - 9

sumes—I regard as part of the regular expenses of production.

But you maintained further, according to the stenographic report, that every consumer must be a producer. (Contradiction.) It is in the stenographic report that I have before me.

Mr. SCHINKEL. I have not seen the report; you have an advantage over me.

Doctor HEILIGENSTADT. It is no advantage over you; without the stenographic report I could not have acquired precise knowledge of the criticism that was made of my speech.

Both the gentlemen then adduced a number of examples to prove that my plan is unworkable. First of all, Herr Schinkel said that if he were to classify outside moneys according to my system, his mind would come to a standstill.

Mr. SCHINKEL. And that would be very unpleasant for me.

Doctor HEILIGENSTADT. I think any one of your subordinates who had successfully pursued a university course would be able to furnish you with all the necessary information.

Herr Schinkel confines himself to one example—the case of the Danish or Swedish government; he asks what is the character of the moneys which these parties load him down with. In the first place, one need not have had great experience in financial economics to know that the economics of the state as such are, as Excellenz Wagner has so often pointed out, expenditure economics, and therefore consumption economics, in which the

National Monetary Commission

receipts must be governed according to the need of expenditures. It is true that in modern times the state itself is often a producer, but with the general banking business this aspect of the state's activity has really nothing whatever to do. So far as the banking business is concerned, these moneys that are invested by the state unquestionably belong to the class of "consumption moneys."

Mr. SCHINKEL. I shall make a note of that.

Doctor HEILIGENSTADT. I should be delighted if my remarks were to have that result.

Herr Roland-Lücke next brought up the case of the private individual who is a speculator. Well, gentlemen, in accordance with the doctrines of my honored teacher Knies, I take my stand on the belief that speculation is an important thing for the economic life of a nation, and that, since it creates place and time values, it belongs to the sphere of production. I think that even in practice the professional speculator is easily recognized, even when he comes in the guise of a private individual, especially by the bank that has his account. I, at least, in the many years of my activity in the Diskontogesellschaft, hardly ever had any doubt as to whether a man was a professional speculator or not. Many cases passed through my hands at that time. I will take the instance brought forward the day before yesterday by Herr Roland-Lücke. When a private individual buys Siemens shares and sells them, perchance, because the quotation has risen, at a higher figure, and then puts his money into another investment, I regard

Bank Inquiry of 1908-9

this merely as an act which a private individual who understands business matters performs in the normal management of his property.

The second case chosen by Herr Roland-Lücke is that of an inventor. How, he asks, is an inventor to be classified? This, too, is not at all difficult. Either the inventor makes an invention, takes out a patent and sells it, in which case the money, the remuneration for the patent, is of precisely the same character as any other professional fee, and falls of course into the class of "consumption moneys;" or else he exploits his patent himself, in which case he becomes quite simply an entrepreneur and falls into the class of producers.

A further example brought forward by Herr Roland-Lücke as evidence of the impracticability of my proposals is that of an author. There can be no doubt that the author's proceeds belong in the class of "consumption moneys." Of course the author performs services for the community that have an economic value and therefore a price, but he takes no part in the economic production of commodities.

Then, too, Herr Roland-Lücke brings up the case of a doctor who receives a fee for restoring to a workman his ability to work. The fee he receives undoubtedly belongs to the class of "consumption moneys." The fact that the workman's power of work—that is, of production—is restored to him does not alter this in the least. Besides, for that matter, the income of the workman himself comes to him indirectly. But if the doctor were to establish a pill factory, or if he were to manu-

National Monetary Commission

facture a disinfectant water or something of that kind, then, if he had occasion to do business with a bank, he would undoubtedly be classed under "producers."

Of all the cases adduced by Herr Roland-Lücke the only one about which there might be some doubt is that of the director of a theater. But by his occupation the director of a theater is at once constituted an entrepreneur. The tenor, on the other hand, is just as certainly, in view of the destination of his income, a consumer; the income he receives serves simply and solely to satisfy his own wants as a consumer.

I am of the opinion, gentlemen, that with a little good will my classification could be carried out with the greatest ease. I can only say that I have evolved this classification as the result of experience, and that it has furnished me with an extremely good basis in practical business and in my very extensive financial operations. Besides, my remarks were only designed to persuade the gentlemen here who are in the banking business to make themselves familiar with my train of thought and see whether it does not furnish a principle of classification more convenient than that which is in use to-day, according to which the moneys of the central office are called account-current moneys and those of the branch offices deposit moneys. I think that in any case the men who are engaged in practical banking would derive the greatest advantage for the conduct of their business if they could hit upon an appropriate classification of their outside moneys.

This is what I have to say in reply to the criticism accorded to my speech.

Bank Inquiry of 1908-9

Gentlemen, as for the special discussion and the proposals that might be made with regard to a reform of our present banking system, I wish to express myself with care. I am convinced that a reform is not nearly so necessary as an effective further development of the arrangements of our money and credit system, a development which will enable us, in the future also, to fulfill the demands that are made in behalf both of public and of private interests. I do not think—and I think the events of 1907 bear me out—that the present arrangements will always continue to be adequate for meeting the demands that will arise with the continued growth of business. I agree with Herr Roland-Lücke that we must prepare ourselves to face this growth by effecting an adequate expansion of our money and credit system. Now, gentlemen, it is altogether possible to effect this expansion by voluntary procedures. If it can be thus actually effected, I fully agree that we should not lift the latch of legislation. But if this should not be done—though I do not for a moment accede to the doubts expressed just now by Herr von Gamp—then here, too, the State will have to step in as it has done in so many other domains.

I am convinced—and in this I am in agreement with certainly a large number of those present—that the point chiefly involved is that of a considerable increase of the cash reserves of the banks.

The cash cover at our banks is to-day certainly too low—I should say, much too low. The so-called fluidity of the banks is not, to my mind, the only factor in the case; other elements of an economic character are also involved.

National Monetary Commission

If, then, I am asked how large a cash reserve should be maintained, I refer to the words of Exzellenz Wagner, who said in one of the previous sessions that the cash reserve minimum of $33\frac{1}{3}$ per cent in the Reichsbank law was fixed upon arbitrarily. Limits of this kind must, of course, always be fixed in a more or less arbitrary way. Though I am conscious of the arbitrariness, I should say that the minimum should be not less than 10 per cent of the whole amount of demand deposits and of those subject to notice of eight days or less.

Mr. MOMMSEN. You said 1 or 2 per cent before.

Doctor HEILIGENSTADT. I am coming to that; I would not get so worked up over it, Herr Mommsen.

Well, then, in the present state of affairs I should regard a cash reserve of at least about 10 per cent as requisite, and a larger reserve as very desirable. I refer you to the statistics of the English banks, which are always being held up as examples to us. According to these statistics, although the English banks are much more favorably situated than our own, the average cash reserve is $15\frac{1}{2}$ per cent.

It is my opinion, further, that in the public interest it is the duty of the banks to support the Reichsbank in its relations with the money market and in its activities generally, and I therefore consider it important that at least 2 per cent of the cash reserve—I went into details when I spoke of this matter before—should be deposited with the Reichsbank.

Now, if the duty of keeping cash reserves is shared between the Reichsbank and the banks, two happy results will be attained. In the first place, the Reichs-

Bank Inquiry of 1908-9

bank will be strengthened in its relation to our entire system of money and credit; and in the second place, that system will not rest upon one single reserve, since a second large reserve will reside in the banks.

It has been said that this 10 per cent reserve is sure to have considerable influence upon the rate of interest all over the country. On which rate of interest—that on deposits or that on loans? Well, gentlemen, I do not think so. The banks all make a practice of giving, as a rule, a maximum 3 per cent interest on current-account moneys. Now, even on the untrue supposition that they have hitherto kept no reserves at all, only 10 per cent of the outside moneys which had formerly been made use of would henceforth lie idle. Thus only the interest on 10 per cent of the outside moneys would be lost—that is, they could, if they wanted to repair this loss entirely by lowering of the rate of interest on deposits, give 2.9^a per cent interest, instead of 3 per cent, on the remaining 90 per cent of the outside moneys. And I must say I should not be at all opposed to a corresponding increase of the rate of interest charged on credits. I hold that every service should have its due compensation even in the banking business, and I also maintain that the compensation that is now received in this business does not quite correspond to the services performed.

Mr. SCHINKEL. It certainly does in your case.

Doctor HEILIGENSTADT. We receive no compensation at all in the current-account business. The reasons for this, however, are quite special, and lie in the peculiar organization of the money and credit business of the

^a Apparently this should be 2.7 per cent.—TRANSLATOR.

National Monetary Commission

Genossenschaften, at the head of which is the Zentralgenossenschaftskasse. If you would like to inform yourself further with regard to these reasons, you are at liberty to do so at any time. On the other hand, we do receive a sort of commission when we give acceptances, when we make transactions in securities, etc.—in short, wherever we work on the same basis as private banks. As I have said, I regard an adequate commission as not merely necessary, but even as economically wholesome.

I think, too, that a definite proportion between the acceptances of a bank and its capital should not be exceeded. The general question of acceptances was thoroughly gone into on a previous occasion, and I do not wish, when we are so hard pressed for time, to be guilty of repetitions. The further question of what is a suitable cover for liabilities can on the whole, I think, be left as before to the conscientious judgment of the bank management, especially in the case of the great banks. Only I am convinced that, to meet crises and times of stringency there should be a larger holding of securities that are available as collateral.

On the other hand, a point which I regard as very important is that there should be the greatest possible publicity throughout the banking system. The balance sheets as they are at present are not, to my mind, adequate. For my own part, I publish for the institution that I have the honor to represent such comprehensive and detailed balance sheets that one is enabled easily to command the whole state of affairs. The mere figures of the balance sheets are not sufficient in themselves; I wish—though I do not bring this up as a demand which

Bank Inquiry of 1908-9

should be immediately acceded to—that that might be done which is already being done in many cases among the *Genossenschaften*: That there might be published not only a final balance sheet but a statement of transactions from which the movement of the accounts in the interval might be seen. It is greatly to the interest of the whole community that it should be much more thoroughly informed about the activity of the banks than it is at present.

Nor do the bimonthly balance sheets satisfy me. I think it desirable that monthly balance sheets be published. Above all, the bimonthly balance sheets furnish no public knowledge concerning the situation at the exceptionally important dates of March–April and September–October. A public knowledge of the great figures of the demand at these dates I consider to be of extreme importance.

Here, too, men in the banking business often make the objection that the thing is not feasible—there are too many details. Now, gentlemen, that is not so; it is all a matter of efficient organization. In the institution that I have the honor to direct, a complete rough balance sheet is actually made every day, and this plan has proved to be very useful indeed, for by means of this daily balance sheet the whole ledger can be checked.

As for a bureau of supervision, and especially the remarks on the supervision of cooperative institutions made by Freiherr von Gamp, I am not yet entirely of his opinion. I do not think a state supervisory bureau is called for as yet. I am sure that the activity of a state bureau of supervision could extend at most only

National Monetary Commission

to a formal testing. A supervisory board could not do much more than that. But with the right to make a test it would assume also a responsibility, and in view of the material, and of the conditions under which the banks now work, I think this would be a heavy responsibility and burden upon the imperial government. I am inclined to think that the establishment of a state bureau of supervision should be kept in view only as the very last resource.

I take it, gentlemen, that if the proposal made by Herr Roland-Lücke is carried out, and if the banks make up their minds to follow the proposals and suggestions made by the commission which is to be formed, a great deal may be accomplished in this way alone, and I regard this method as preferable, especially for the time in which we live. Others have already pointed out that the present time is a particularly bad moment for adopting too stringent legislative measures.

Count KANITZ. If I, a layman in the banking profession, have again asked permission to speak, it was not, gentlemen, in order to exert an influence on the course of your discussions, but rather in order to give an account of the impression made upon me by the discussions that have already taken place, and to present the reasons for my vote with regard to the questions that lie before us—a vote which may be given either here or elsewhere.

At the very beginning of our deliberations I permitted myself to state that I have strong doubts of the wisdom of most of the measures here proposed and can really express my approval of only one of them, that of the obligatory publication of balance sheets. Even in this

Bank Inquiry of 1908-9

there are certain doubtful points. It would be a very good thing if the balance-sheets were readable and comprehensible to the public at large. But I admit that great difficulties present themselves. One of the gentlemen has said, with great truth, that it is impossible for a bank whose business is in the industrial district of Westphalia to use the same system as a bank in East Prussia. That goes without saying, just as on an estate that has a distillery or a sugar factory the system of bookkeeping is very different from that on an estate in which industrial side enterprises of this kind are not present.

I should think, however, that the wishes of the public might be met in some way or other, that different systems might, for example, be installed for the large and the small banks, so that the balance sheets would enable one to keep at least some sort of general watch on the business situation of one's bank.

Gentlemen, this is really what I regard as the chief evil—that these balance sheets, when they are published (and I consider it a great step forward that the great banks are now publishing their balance sheets) can not, as they should in order to be of any use, enable one to get a clear and comprehensive view of the situation. Take all these balance sheets that we have before us among the documents. There are not two balance sheets among them that are made out on the same plan; every individual bank has its own peculiar system. In this direction there is, I think, much room for improvement.

Now, then, gentlemen, I come to the second question—which is also very important—How are the balance sheets to be tested as to correctness; how are they to be checked?

National Monetary Commission

As for a bureau of supervision and an imperial authority, I have already expressed my disapproval of that plan, not only because I should not like to see an increase of our already overgrown bureaucracy, but also for more practical reasons. Gentlemen, it has been very truly said that too much interference with the business affairs of the individual banks would be very injurious to the banks themselves and incidentally, of course, to the persons engaged in the conduct of the banking business. Herr Roland-Lücke in particular made mention of this point when he recommended the special commission.

Gentlemen, I approve altogether of the proposal of Herr Roland-Lücke, but permit me to make one little remark on the subject. He recommends that the persons of whom this commission is composed be changed fairly often, if possible every year, so that new blood, fresh forces, may always be coming in. Certainly this is a very good idea. But, gentlemen, this commission and the people composing it must work their way into the matter, and if you will consider what an enormous number of banks and bankers there are in Germany, all of which are to be put under the supervision of this commission, you will see that the task assigned to the commission is a tremendous one; I do not know whether, in view of this, a very frequent change of persons would be desirable. If the members of the commission do not work gradually into the subject, but are constantly having to deal with utterly new material, their task will, of course, be all the more difficult.

Then, too, what is to be done if any irregularities are discovered by this commission? This is in my opinion a

Bank Inquiry of 1908-9

very important question. Suppose the commission in its examination finds some little irregularities.

Mr. MOMMSEN. According to Herr Roland-Lücke the commission was not to make such an examination at all.

Mr. ROLAND LÜCKE. I only wanted to have it say to the Reichsbank: "There is a point that looks suspicious; what have you done about it so far?" I do not wish it to exercise direct control.

Count KANITZ. I thought the matter was to be so understood. You took as an example the firm of Krupp, and said: "If this firm makes a transaction with us, it is to its interest that the news of the transaction should go no further; if our banks are under supervision, it may easily happen that the firm of Krupp or some other firm will prefer to transact its business with a foreign bank."

Mr. ROLAND-LÜCKE. I did not say that.

Mr. MOMMSEN. That objection was made against the bureau of supervision.

Count KANITZ. But I thought that this commission that Herr Roland-Lücke recommends was also to exercise a kind of supervision. If that is not the case, then, to be sure, my objections fall through. But I wish to emphasize this point—we must guard against all measures that might cause any governmental authority or commission to examine too closely into the affairs of a bank; otherwise cases like that which we have just imagined as an example may very well come up. People that do business with a bank may say: "We prefer to go to a foreign bank, where we shall be safe from such examination."

Now, gentlemen, I repeat, if this supervisory bureau finds any irregularities in a bank, then a question perhaps

National Monetary Commission

is addressed to the bank on the subject. But this is very dangerous, for it will be said that a warning has come from such and such a place. The officers of the bank in question will hear about it, of course, first of all; and if people say 'We do not like this and that, the bills seem to us not safe,' then it may very easily happen not only that the credit of the bank is shattered, but also that the persons whose bills are in question are injured.

I bring up all this, gentlemen, only in order to describe exactly what my position is—that we must constantly guard against too much interference with the business operations of the banks.

I wish also to point out that if we succeed in putting through the requirement of publication of balance sheets, paragraph 263 of the penal code gives a sufficient guarantee against any serious or widespread injuries to the public. That is the well-known paragraph about deception. According to that, to be sure, the making of a false balance sheet is not punishable as such, but it is punishable in that it may work injury to the property of another. But every bank will, of course, be very careful not to give out a false statement of its balance sheet, since anyone who did business with it might afterwards say: "I inferred from your balance sheet that you were safe, and I have suffered such and such losses; now, then, state's attorney, do you step in and apprehend this bank director for having disobeyed section 263."

Mr. MOMMSEN. The punishments prescribed in the commercial code are sufficient.

Count KANTZ. But that would not preclude the use of section 263 of the penal code.

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Gentlemen, as for the proposals of Freiherr von Gamp, which I have heard to-day for the first time, I entirely agree with him—and in this I can but follow Doctor Heiligenstadt—that the resources of the banks are at present too small, that an increase of the cash reserve is absolutely necessary. It is not quite clear to me, to be sure, what percentage Herr Heiligenstadt regards as the requisite minimum. In his last remarks it was 10 per cent that was to be reserved.

Doctor HEILIGENSTADT. Of which 2 per cent was to be placed with the Reichsbank.

Count KANITZ. But now the question is, should an imperial deposit bank be instituted, such as was proposed by Herr von Gamp? Herr von Gamp says this imperial deposit bank should accept securities—for example, mortgage debentures and the like—but without the coupons and *talons* that go with them. Then these resources will not be so very fluid, and in case of a transfer of paper one must always apply to the person who holds the coupons and *talons*. I do not understand, therefore, why an institution like this, which keeps only paper of that kind, should ever be called upon to help the Reichsbank, especially in cases where speedy assistance is needed.

But as for this matter of the banks making a deposit which shall bear a certain fixed relation to their obligations, some one else has already pointed out that a bank must sometimes accept a large deposit suddenly—that some foreign nation, for instance, may hand over to it several millions at a time. It will then be required to increase its reserve at once until the required percentage is again reached. And the contrary may likewise happen; a large

National Monetary Commission

sum may be suddenly withdrawn from the bank, and it will then be obliged to take back a considerable part of its deposit. Thus a certain commotion will be brought into the business, which is not likely to be favorable to a healthy development of our banking system.

I entirely agree with Doctor Schmidt and with Herr von Gamp that the gold holdings of the Reichsbank should be strengthened, but to this end it is necessary that the gold holdings be kept steady in critical times; it would not do at all, as one of the speakers has said, to have the Reichsbank stripped of its whole stock of gold precisely in times of disquietude, the gold being exported, so far as possible, to foreign countries. If I am asked to suggest an efficient way of preventing this outflow of gold, I can only repeat once more the proposal that I have made many times before—the Reichsbank should be empowered, as is the Bank of France, to redeem its notes either in gold or in silver, whichever it prefers. Then the outflow into other countries could be stopped at once. This, however, is a proposal that has met with opposition every time I have made it, especially from my honored fellow-member of the Reichstag, Herr Kaempf.

Mr. KAEMPF. I shall do it again this time.

Count KANITZ. Well, the outlook in this direction sometimes seems to me rather dark. I think that a great increase of the gold holdings of the Reichsbank would in any case have only a relative and theoretical value if the Reichsbank were not at the same time empowered to keep hold of its gold, if it were not exempt from the necessity of having to give back its gold—even, it may be, down to the last gold coin—if it is wanted for exportation. For the

Bank Inquiry of 1908-9

rest, however, as I have said, I gladly admit that a strengthening of the Reichsbank's stock of gold is in itself a thing greatly to be desired.

Now, in the course of the discussion other points have been touched upon that are only very loosely connected with the task assigned to us. I shall therefore pass over them very cursorily. First the infant death rate. Geheimrat Wagner has given us disquieting figures on this subject. I immediately got hold of the official statistics, and I could give you a long lecture, full of details and embellished with many figures and diagrams; but I think you will forego that, especially as Herr Geheimrat Wagner is not present. [Assent.]

As for the question of social reform, which I have touched upon before, I have observed that the most zealous social reformers are those on whom the burdens of reforms fall most lightly. [Laughter.] I once asked Count Posadowsky in the Reichstag how much he had to pay in insurance contributions. It was only for the few domestic servants that one generally finds in a city household. How can these burdens be compared with those of a country employer, who has to keep a large number of workmen and has to pay insurance contributions for them all? But I do not wish to enter further into this question. This is not the proper place for me to do so. Only I wish to express my thanks to Herr Schmidt for his support of what I said on this subject, and especially for his reference to the great dangers that threaten our national industries, which, if they were too heavily burdened, would in the end be driven into other countries.

National Monetary Commission

Herr Kaempf felt obliged yesterday to seize the opportunity for making a little speech in favor of free trade. I have read with great interest the speech that he made a few days ago in London. But he said yesterday that above all things the duties on foodstuffs ought to be done away with; I should like to ask him whether there is not just the same reason for demanding that the duties on manufactures, the duties on iron, dress materials, shoes, and all the numerous necessaries of the poor man, be also removed. [An interruption.] "Certainly," says Herr Kaempf. So it is to be radical free trade. Well, gentlemen, how anyone can get worked up in favor of free trade at a time when all the countries of the world are surrounding themselves with the highest protective walls, how anyone can want to turn our country into an arena for the industries of all other countries, while our own industries are barred out of foreign lands—with the best will in the world, this is more than I can understand. Perhaps I shall have a chance, in the Reichstag or somewhere else, to debate this point with Herr Kaempf.

In closing, I will permit myself to say that, while we are discussing, for so and so many days, measures designed to improve our banking system, and give it greater solidity, we must not forget that the best service of this kind can only be rendered by the banks themselves, with their own forces and on their own initiative. Even the suggestions made to-day by Herr Heiligenstadt will be best carried out if the banks themselves take them up, if they exert themselves to make a greater solidity prevalent. Then the public will turn to the banks with

Bank Inquiry of 1908-9

greater confidence, and that will be a blessing for the whole country.

Mr. KAEMPF. Gentlemen, I should not have taken the floor again if certain remarks that have been made in the course of to-day's debate did not make it necessary for me to do so.

As for Count Kanitz's idea that the Reichsbank should be empowered to redeem its notes either in gold or in silver as it chooses, I have gone into that so many times that I should bore even myself if I were to go into it again. I shall therefore do so only very briefly. To compare France with Germany in this matter is completely to misunderstand the situation. When we get to be as rich as France is, we too shall be able to afford the luxury of allowing the Reichsbank to redeem notes in silver when it pleases, for it will never do so. To-day, when our condition is that of a struggling nation, a struggling industrial country, it would be an offense against the solidity of our currency if we were even to let it leak out that this view has been entertained.

As for the question of free trade, I have already broken so many lances on this ground with my honored fellow-member of the Reichstag, Count Kanitz, that it will hardly be necessary to take up the matter here. But one thing I must say to him; for the high duties that are laid by other countries upon the products of our industries we have to thank the high duties on agricultural products which we have established in Germany. ["Very true."] In every case we shall find this is so; we shall see that because of our high duties on agricultural products every country with which we conclude a commercial

National Monetary Commission

treaty at once raises its duties on manufactures in order to punish us for the high duties on agricultural products which we have established in Germany. There can be no doubt whatever of this; to deny this would be utterly to misunderstand the situation. And, Count Kanitz, if I am a free trader, I am not one in the sense that I want to see all duties abolished to-morrow, for I know that in the economic world it is never safe to do things suddenly; but I am for free trade in the sense that I do consider it absolutely essential that we should gradually reduce all duties, so that we may be able to enter into such treaties, even with countries to which we export, as will make it possible for our export industries to do their proper part in relation to the necessities of our own country.

Count KANITZ. France has still higher duties on agricultural products.

Mr. KAEMPF. That is bad enough. In France they are pretty close to going over into free trade; you will soon see how they will do it.

Gentlemen, I pass now to the other remarks to which I must reply. In the first place, the central committee of the Reichsbank has been spoken of in a rather condescending and not very flattering way. On this point I have only to remark that the central committee of the Reichsbank does what the Reichsbank law prescribes that it shall do; it can not do more. If the bank act were to be changed in such a way that the central committee of the Reichsbank should have its function enlarged in some direction or other, I should have nothing to say against that; at the present moment, however, it

Bank Inquiry of 1908-9

is not possible for the central committee to act otherwise than as it has done hitherto.

From another source the suggestion has come that state offices be created for the supervision of the banks, and it has been maintained that if we had these the responsibility of the directors and of the supervisory councils of the banks would be greatly strengthened. I think that there is a slight mistake here. To-day the directors and the supervisory council of a bank are responsible to the shareholders, and this responsibility is great enough to cause an adequate supervision. If this responsibility of the directors and the supervisory councils is diminished by your setting up a central organ of the state to have supervision over the banks, then of course the feeling of responsibility on the part of the directors and the supervisory council will be undermined and nothing will take its place; for the state officials are, of course, not responsible to the shareholders, and that they should be more in a position to conduct and render effective a satisfactory supervision than are the directorate and the supervisory council, I can not admit.

One of the members of the commission has intimated that the banks are not sufficiently aware of their duties. Gentlemen, this is an assertion against which I must speak with the greatest emphasis. The duties of the management of a bank consist primarily in making sure that it is able to pay what it owes, and I maintain that it has been in no wise proved, or even asserted with the slightest semblance of justification, that the banks and their managements have not fulfilled this duty. I do not know of a single clear case, except that

National Monetary Commission

of the Leipziger Bank, from which one would infer that our great banks have not made every effort to keep their fluidity such as to enable them to fulfill their obligations at any moment. When I heard this assertion it almost seemed to me as if there were and had been a prevalent idea that our bank directors and members of their supervisory councils have nothing to do but devise how they can do business with the least possible fluidity. That is an utterly mistaken idea. Anyone who has taken part in bank management knows that what one chiefly bothers one's head about from morning to night is the question of how to go into undertakings in such a way that one can get out of them as quickly as one chooses.

Now, I admit that sometimes an affair that looks as if it could be liquidated without any difficulty turns into something of quite a different character, and then we have what is called a drug on the market. But since there has been some talk of a failure on the part of the bank managements to do their duty in this regard I should like to point out one thing. The unfluid business is always the very business that the banks go into in fulfillment of their national duties. I need only refer to the business undertaken by our banks twelve or fifteen years ago in the province of Shantung. Yes, gentlemen, that was business that the banks undertook in fulfillment of their national duties. That is business the burden of which in part they still have to carry in fulfillment of their national duties.

Count KANITZ. They would have done better not to go into that business.

Bank Inquiry of 1908-9

Mr. KAEMPF. I should like to have heard the outcry that would have been raised if the banks had said that. You, Count Kanitz, would have been the first to throw a stone at the banks on the ground that they had failed to discharge their national duties.

Count KANITZ. I advised every one not to send money there.

Mr. KAEMPF. But not the banks.

Gentlemen, while I am speaking of these national duties, I should like to make one more remark. Have our banks ever refused, within or even outside the so-called Prussian syndicate, to take over any German imperial loans or Prussian state loans which they were called upon to handle? And has that business ever paid them? Have they not, as the history of the handling of the loans shows—have they not often carried these loans when it was extremely inconvenient for them to do so? I can refer here to a recent case, in which the fluidity of our banks was actually in some measure affected by the fact of so large an amount of German imperial and Prussian state loans being accepted by our banks, not because they wanted to invest their money in that way, but because they had to do so. In view of the history of our banks you can not reproach them with not having fulfilled their duties toward the depositors and their duties toward the nation.

Gentlemen, I come now to some remarks that were made by President Heiligenstadt. I must confess that I did not understand his lucubrations about category A and category B, but that, of course, was my fault. I shall therefore pass over that part; I did not have time, being

National Monetary Commission

a slow thinker, to take it in so quickly. But there is one thing I wish to point out. President Heiligenstadt spoke of an easy way of distinguishing deposits from other outside moneys. I wish to say that I could not regard this distinction as easily made unless the word "deposits" is defined in its narrowest sense—

Doctor HEILIGENSTADT. I have done that in a previous speech.

Mr. KAEMPF. —if under deposits are included only the moneys of people who have no other transactions of any kind with the bank. These would be deposits, and these the banks could distinguish from other moneys. But from the outside they could not be distinguished at all; and if this is the line you draw, then I think that the whole performance will be to no purpose.

I shall not enter into the question of acceptances. Every bank manager knows that it is no pleasure to him to see large quantities of acceptances moving around the world; but he knows that he absolutely can not determine upon a fixed sum. One would have to investigate carefully the sources of the acceptances; one would have to find out whether they are acceptances in consideration of a deposit of securities; whether, as sometimes unfortunately happens, they are acceptances in consideration of a deposit of mortgages. These two classes must, I am convinced, be restricted. But where they are acceptances that come from regular business, especially international business, to fix a limit would be to do an injury to our whole economic life.

Now I come to the chief point—the one which President Heiligenstadt long ago put into the foreground—

Bank Inquiry of 1908-9

the question of the cash reserves of our banks, which he now thinks ought to amount to 10 per cent of the outside moneys, of which 2 per cent should go to the Reichsbank. In like manner Freiherr von Gamp expressed the opinion that 1 or 2 per cent, or some such sum—I did not understand just what it was—that 1 or 2 per cent of the outside moneys should be taken to the so-called imperial deposit institution; also that it should be taken in the form of gold, and that this gold should flow into the vaults of the Reichsbank.

Freiherr VON GAMP. Only by way of exception.

Mr. KAEMPF. This is how I understood it; I can only repeat it as I understood it.

As for a cash reserve of 10 per cent, I think that everyone who has had any connection with the conduct of a bank will admit that it is impossible to set the percentage at an exact figure. I remember very well from my own banking experience that at times when the whole situation of the bank was a decidedly delicate one there was a cash reserve of much more than 10 per cent of the outside moneys. It was impossible to invest the moneys as one would have liked to invest them; one may have had to buy state paper, and in that case one always lost money; if, because one had too much money, one did for a time buy state paper, one was obliged to sell it again when the supply of cash ran down, and of course one lost by a fall in the quotations. Thus there have been times in my experience when the whole available resources of the bank did not seem to me sufficient, even though I had a much larger supply of cash in the vaults than the sum mentioned by Doctor Heiligenstadt.

National Monetary Commission

And there have also been times when the entire available resources were abundantly adequate, though the cash holdings were for days, and even for weeks, so extremely small that we congratulated ourselves every morning if no new paper came in to reduce still further the stock of actual cash. Thus, gentlemen, there have been times when the cash reserve was so small that President Heiligenstadt would have been shocked if he could have seen it, and yet the condition of the bank was most excellent.

Moreover, things arise that one can not foresee; and if to-day you have a supply of thirty millions in the treasury, and two Governments come and take them away from you, then you have an extremely small amount left. To-morrow or the day after to-morrow the situation is again different. How are you going to mend matters by determining that there shall be a 10 per cent cash reserve? You must have sufficient confidence in the banks by this time to be sure that they will make every effort to keep as large a cash reserve as possible, and in point of fact they do this on every occasion; they do it on December 31; they do it at every quarterly period, because at the quarterly periods they have to pay out large sums, and hence the tension of which complaint has often been made in this assemblage.

In regard to the second proposal, as to 2 per cent being deposited with the Reichsbank, I may not have understood Freiherr von Gamp quite correctly in this case either; he wished something of the kind to be done; he said, according to the notes I took, that in case of crisis the Reichsbank has the gold, and when the crisis is past the

Bank Inquiry of 1908-9

Reichsbank can give the gold back to the banks. But the trouble is that in case of crisis the banks themselves need the gold that they are to leave at the Reichsbank. This is the rock on which the whole idea of the depositing of a fixed sum at the Reichsbank splits. When are our banks to have this money at their disposal? They must have it at their disposal if they have obligations of their own to fulfill. It is not after a crisis that they need it, but during a crisis. Thus nothing can be done about the second Julisturm, to which reference was made.

I come now to the last point—the commission proposed by Herr Roland-Lücke. It is remarkable that almost every one of us has a different idea of this commission, or at least there are many groups among us who have different ideas of it. According to one group it is merely to advise; according to another it is to check; according to Exzellenz Wagner, it is to be a sort of supervisory board. In short there are at least three or four different views of the matter. I should like, therefore, to put forward my view also, and it is as follows: This commission can not be anything but a body of experts for the Reichsbank president to consult. As a commission for giving expert advice I am in favor of it. A commission that gives expert advice, however, may perfectly well contain individual members who make propositions on their own initiative and do not confine themselves to giving their opinion only after a definite proposition has been laid before them. If they are men who belong to the world of practical business, they will often have an idea of their own, and will submit it to the Reichsbank president for his opinion. A commission like this I should highly approve of; any

National Monetary Commission

departure from the limits here indicated—any more extensive activity on the part of this commission—I should consider extremely ill advised.

The CHAIRMAN. Gentlemen, I intend to close the meeting directly, and to ask you to assemble again punctually at 3 o'clock; I hope we may finish our discussion this afternoon.

But first, before we close our discussion of this third question, I must again express to Herr Schinckel our thanks for his kind cooperation in the matter of our statistics of flotations. I can assure him that our statistical department will take pains to carry out his suggestions, and especially that it will try to revise the last sheet containing a list of foreign admissions—though this sheet, by the way, was printed from the imperial statistics, and its mistakes are probably caused, not by negligence on the part of the statistical bureau, but by mistakes in the material given to the statistical bureau by the responsible offices. They will also make an attempt to estimate more accurately, through inquiries and investigations, the quantities of these admitted issues that have actually come upon the German market. For the present I can only give promise of the attempt, not of its success. But after the mistakes that Herr Schinckel has pointed out are gone over and corrected the sheet itself should be replaced by a new edition, and we mean to ask that the few copies that have already been given out—chiefly to members of this commission—be handed back and exchanged for the corrected copies.

Before I give Herr Schinckel the floor to make personal comment on the last points, I must go back to something

Bank Inquiry of 1908-9

that I have been deferring until to-day. Herr Müller of Fulda, like Freiherr von Wangenheim, has sent in a short written opinion on the questions before us; I deferred it, however, until to-day, because his letter led me to hope that he might be present in person for the last few days. I beg that you will permit me to read his opinion; it relates partly to points we have already gone over. He writes:

“From the statements made by the experts who have been consulted and also from my own experience, I draw the following conclusions:

“1. Legislative regulation of the deposit system need not at present be considered.

“2. If, however, any such regulation should be adopted, it should be confined to this provision: That all savings institutions, Genossenschaften, companies with limited liability, commission companies, mercantile companies, and also merchants (bankers) who carry on a banking business or are in the habit of receiving deposits and savings—that all these should be obliged to publish their balance sheets in the same way as the joint stock companies.

“3. In case this is done, legal standard forms might be established for the drawing up of the balance sheets in order that they may be as easily understood as possible.

“*Reasons:*

“For 1: Previous experience shows that there have been fewer losses of deposits and savings at the great banks than at the Genossenschaften or among the so-called private bankers.

National Monetary Commission

"Experience shows that the greater the bank and the greater its capital, the greater is the security for deposits and savings.

"The recent development of the banking business, however, shows a constant tendency toward concentration through the absorption of the smaller firms and the establishment of branches. In this way the investing public has a better chance of protecting itself from losses. In view of this development legal interference would appear to be superfluous.

"For 2. If, however, we should resort to such interference, it would, first of all, be necessary to make the regular requirement with regard to publication apply also to those banks, companies, and persons that have not hitherto been obliged to give public information as to their affairs, even though they have engaged in the acceptance of deposits and savings.

"For 3. If we should resort to legal interference such as that which I have just indicated as being perhaps desirable, it would be well to establish definite standard forms for the balance sheets, so that the publication may not be a mere pretence. We must not suppose, however, that this would insure complete safety to the depositors of savings, since against intentional deception even the publication of balance sheets will be no protection."

Mr. SCHINCKEL. I wish to remark, both on my own behalf and on behalf of Herr Roland-Lücke, that President Heiligenstadt must not infer from the fact that we have made no reply to what he has said that we have had no reply to make. And I can the more easily forego making a reply, since President Heiligenstadt has himself

Bank Inquiry of 1908-9

said that in his opinion no distinction can be made, with regard to the depositing of a certain percentage, between deposits and other outside moneys. We shall therefore have little use in practice for this artificial division into producers and consumers, since we are of the opinion that there is no difference between account-current creditors and deposit creditors.

Doctor HEILIGENSTADT. But there is certainly a difference in relation to the balance sheets and to the criticism and discrimination of the character of the moneys from the standpoint of the public.

The CHAIRMAN. I will ask you to reassemble punctually at 3 o'clock.

(Intermission.)

The CHAIRMAN. I will now ask Herr Schinckel to speak on questions 2 and 4.

Mr. SCHINCKEL. My honored fellow-members: When we come to answer the remaining questions, especially question II, 2, in which we are asked how the balance sheets and the intermediate balance sheets are to be published and how they are to be arranged, then we come to what is in my opinion plain sailing, and I think we shall be able to avoid all polemics. We have already in the previous discussion gone over this question so thoroughly that even those who are diametrically opposed to each other in their views of the universe, and even in their views on economic questions, can easily come to an agreement on this point.

Gentlemen, I think we are almost all agreed that legal compulsion with regard to the publication of these intermediate balance sheets should if possible be avoided, if

National Monetary Commission

only for the reason that it will prove to be desirable to make constant changes in the form of these intermediate balance sheets, and that in a fairly short time. Surely we are all agreed that the banks may be expected to publish bimonthly balance sheets and that those which do not yet do so must be forced by the Reichsbank to do so in the way which has already been often indicated. The fact is, then, that, on the whole, though not perhaps in all details, we are of one opinion with regard to the kind of system that should be adopted.

It has often been pointed out that with regard to all such balance sheets and intermediate balance sheets the quality of the figures counts for a great deal more than the quantity; but no one will deny that even from the quantity of the figures—I assume, of course, that they will be made as trustworthy as possible—there is much to be discovered. Opinions differ as to whether subdivision of items is desirable. It may be desirable, but opinions differ as to whether it is necessary. I think, however, that those of us who, like myself, believe that the system of publication hitherto followed would be suitable for the intermediate balance sheets must nevertheless accede to the view held by others, that there should be further subdivision. I think that by mutual compromise by each side making some concession, we can very well come to an agreement on this point.

Permit me, gentlemen, to return for a moment to the nature of these intermediate balance sheets and forgive me if I bring up once more the form which was in use in the earliest publications, and which has been in use in my bank for the last fifty years. I may add in this connection

Bank Inquiry of 1908-9

that in future we of the Norddeutsche Bank—and I hope all the other banks will do the same—will of course publish bimonthly balance sheets, since this is the wish of the public.

Gentlemen, this statement which is given out by the Norddeutsche Bank does not, of course, meet all demands that may be made of such a statement. With us it is exactly the same as with the Zentralgenossenschaftskasse. We make out a balance sheet every day. This balance sheet is made out according to the balances of the chief accounts. We are, consequently, only able to publish a statement of the balance of certain accounts—for example, the accounts of the outside correspondents not foreign. For we make a distinction between Hamburg correspondents and correspondents in other places; we can give a statement of the accounts of these last only as to their balances. We can not give every day the amount of the debits and the amount of the credits that we have; this can not be ascertained from a daily consultation of the chief accounts. This is, of course, not enough to satisfy the demands that are here made of an intermediate balance sheet, for it only enables one to see what is going on so far as regards net balances; it does not enable one to see how much the debits and credits are. Perhaps this can be done in the Zentralgenossenschaftskasse, which has a much simpler business than a credit bank; I do not know—I have not looked at their statements—whether all the accounts are given or only the balances.

A VOICE. No; only the turnover is given.

Mr. SCHINCKEL. But this much is certain, the great banks can not do this every day, for it would involve an

National Monetary Commission

amount of work that absolutely could not be performed in less than three or four weeks. Of this fact I have repeatedly become convinced. For instance, in the Diskontogesellschaft, with which I am connected, it would take as long a time as that to itemize these accounts according to the schedules that have hitherto been in use.

Opinions may differ on this point, but at the Norddeutsche Bank, at any rate, we shall continue to publish on the last of the month what I shall call the abridged statement, a publication which to my mind has much more value than the publication of an itemized balance sheet after several months. For in the latter case the thing has only an historical value, whereas there are in Hamburg a great number of people who wait for the first of every month that they may find out what is the condition of the Norddeutsche Bank—how the business has gone in the month just passed, etc. I shall therefore continue to give out my monthly statement in the abridged and, I admit, somewhat inadequate form, but this will not necessarily prevent me from introducing at some future time an itemized publication. I bring up this point merely in order to make this distinction and to show you that with every new step in itemizing the accounts the work is immeasurably increased, and that, consequently, if the published balance sheets are not to be of older and older date and of smaller and smaller worth there has got to be moderation in what is demanded of the banks in this matter.

One more point. Gentlemen, the more you itemize the statements the more difficult it will be to prepare them correctly. Where there are a great many clerks engaged in this itemizing work it is extremely difficult to keep an

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eye on them and show them how to make their itemizing correct. I can assure you that even the scheme now in use involves a lot of work. It is well known that when the scheme of the Deutsche Bank was fixed upon, the other banks were not so very quick about adopting it. For example, there is in it an item—there is no harm in my naming it—loans on goods—which was understood very differently by the different banks, and which is, in fact, subject to very different interpretations. We have, then, the phenomenon of one bank correcting the views of another bank. The Deutsche Bank is trying to ascertain by questions what this designation was understood by the other banks to signify. Now the banks will cooperate in this matter, and not one of them will be lacking in good will. But you will admit that the more the statement is itemized the greater becomes the danger that one bank will understand it in one way and another bank in another way. If there are so many different interpretations of these statements even among the banks, you can imagine how many different interpretations will be made by the public at large. This, then, is another reason for not asking too much in the way of itemized statements, for too much itemizing may impair the correctness and comprehensibility of the intermediate balance sheets.

Gentlemen, I shall not at present go into the details. I think we must begin with the schedule for intermediate balance sheets, and then we shall come in natural order to the yearly balance sheets. I think we are all agreed that in the yearly report there can be, and indeed there is already, greater itemization—itemization which can not possibly be made within the month; and my opinion is

National Monetary Commission

that if a bank does not make these itemized statements the proper authority can give it a reminder that it must knuckle down in this matter. But, on the whole, I must say that if the whole bookkeeping is not to be turned upside down the intermediate balance sheet must be made out on approximately the same plan as the yearly balance sheet. I mention this because I see written here "Model for the yearly balance sheet;" "Model for an intermediate balance sheet."

I shall keep, therefore, to the schedule for the intermediate balance sheet, which is at the same time the schedule for the yearly balance sheet. Here the first head is, "Cash, foreign money, and coupons." By coupons is meant matured coupons, which, if they are in my possession on December 31, I can redeem on December 31, or at least on January 2, which are therefore equivalent to cash on January 2. Now, Herr Roland-Lücke has proposed that there should be further itemization here, that there should be two heads, (a) "Cash and foreign money;" (b) "Reichsbank credits." I admit that this might in many cases be inconvenient, but for my part I think that the banks might very well adopt the proposed change. We have seen during this very inquiry what different opinions there are: one man considers it desirable that the private banks should have as large a credit as possible at the Reichsbank, while others think that it is absolutely necessary for them to have larger cash holdings outside the Reichsbank. So that if this separation is put into effect every bank can in future comfort itself with the knowledge that at least some of its critics are satisfied, whether it has too large a credit at the Reichsbank or too much cash. At any rate,

Bank Inquiry of 1908-9

I think the banks will be able to get along as regards this point.

Then comes the second head, "Bills and short-time treasury bills of the Empire and of the Federated States." Under this head are comprised those treasury bills which are drawn for short terms and which are usually handled with deduction of the discount. Herr Roland-Lücke has proposed that here also there should be two subheads, (a) "Bills that are immediately discountable, and therefore can be disposed of at any moment;" (b) "The bank's own acceptances and bills drawn by the bank itself." Every bank will of course try to have only bills of the first of these classes, but it can not prevent having others sent to it which are not discounted by the Reichsbank.

Gentlemen, no bank likes to have its own acceptances in its portfolio; but if anyone sends me bills on the Norddeutsche Bank or on the Diskontogesellschaft I regard them as the best bills one can have, and therefore I absolutely can not refuse to accept them; I have them in the portfolio and I can not very well pass them on. The idea is, then, that the bank's own acceptances, which have generally not been of its seeking, shall be entered under this head, and also a second class of bills, which, I am sorry to say, are sometimes found to exist in large quantities, but which I, in obedience to what I have called "the ten commandants of the banks," have the utmost horror of. These are bills—I need not add that I myself do not draw them—which, instead of being drawn on the bank, are drawn by the bank upon its customers, and which the bank then discounts for its customers and puts into its portfolio. In this way the bank does not burden its list

National Monetary Commission

of acceptances with the bill, but, on the other hand, it gets a bill which has at least a blemish; for the proper thing is that the customer draws upon the bank and not *vice versa*. It is therefore desired that these bills, which are justly enough regarded as being not quite of the same standing as the others, should, along with the bank's own acceptances, be entered under a separate head, so that people may know that this amount is to be deducted from the total.

Mr. ROLAND-LÜCKE. Not only bills drawn by the banks in question but bills drawn by any banking firms whatsoever.

Mr. SCHINCKEL. I think, Herr Roland-Lücke, that this might be worth considering; for my part, I do not wish to commit myself, but I will say that I should think such a procedure would greatly impair the clearness of the statement. For, suppose for a moment that a bill comes to me at the Deutsche Bank from an outside bank—a first-class bank, let us say, in Rio; then this is a bill that has arisen in a thoroughly legal way. In Rio an importer, who has to pay in Germany, buys a bank bill, and this has greater value than a merchandise bill. In Brazil the thoroughly legitimate business of the banks consists in buying merchandise bills and selling bank bills to those who want them. If a bill like this, which has come to us in a perfectly legitimate way, is thrown in under the same head with bills which we should like to exclude as being not quite legitimate, then a correct impression again becomes impossible, and anyone who wants to find out anything from our balance sheet may easily be misled. He may think that they are all first-class bank acceptances from the London

Bank Inquiry of 1908-9

and Brazilian Bank or from the Banco de Republica, and they may, in fact, be bills of a very different kind. Therefore, I have doubts about including under this head all bills that we regard, for one reason and another, as not being absolutely of full value. I prefer to make the humble suggestion that the bills under this subhead comprise only the bank's own acceptances and drafts drawn by the bank itself.

Mr. ROLAND-LÜCKE. Allow me to interrupt you. Your doubts are justified, but they would be removed, and demands made from other quarters would be gratified, if the title were to read "Drafts made by German banking firms;" thus all others would be excluded.

Mr. SCHINCKEL. But it may happen that there are a great many banking firms in our own country that do business in merchandise as well as regular banking business. Do you include bills from private bankers who are at the same time big merchants and receive *rembours* bills—are these bills to be regarded as inferior?

Mr. ROLAND-LÜCKE. Then they generally get discounted. [Laughter.]

Mr. SCHINCKEL. I should like to confine myself to my proposal.

The third head is "Credits with banks and bankers." No objections, certainly, will be made here.

Then comes head 4, in which *Reports* (thirty-day stock-exchange loans) and *lombards* (loans on collateral) have hitherto been comprised. It has been said that one would like to know how much is *reports* and how much *lombards*. Yes, gentlemen, but these often run into each other; it is the same as with the cash and the Reichsbank credits.

National Monetary Commission

Some people will say that that bank is fluid which has nothing but *reports* on the bourse; others will say that a bank is fluid if it does not have so much to do with the bourse.

A VOICE. *Reports!*

Mr. SCHINCKEL. In short, everyone can stand criticism; one man thinks it better to do it one way, and one another, and I think one can take account of these different opinions. But in my opinion the head should read "*Reports and lombards with firms on the bourse.*" For, gentlemen, when there is a boom, these things get mixed up; when all stocks are at a high figure, people are not satisfied to make plain *reports*, but demand some advance payment; in such cases we have not a standard *lombard* (which in the technical sense involves an advance payment of 10 per cent), but a *lombard* with a smaller advanced payment. In compliance, therefore, with the desire that has been expressed that this distinction should be taken account of in the headings, I would have the following headings read: "*Reports and lombards with firms on the bourse,*" and "*Other lombards.*" My own opinion is, that though this may not be of much use, it will do no harm to the banks, and will not involve too much work.

The next head is "Advances on merchandise and shipment of merchandise." And then comes "The bank's own securities."

Gentlemen, I warn you that the banks will have very different views about everything that relates to the itemized list of their own securities. For my part I must confess that I do not conceive of this itemization as being so very detailed and involving such an impossible amount

Bank Inquiry of 1908-9

of work; yet, on the other hand, I really do not see why there can not be more itemization than there is now. One may ask, How far are we to go? and, of course, some limit should be set. I shall come back to that later. In this connection it has also been maintained that a bank should not give all the interested parties such full knowledge as to its condition as will injure the bank's business. If, as Herr Roland-Lücke proposes, we are to have a subhead (a) "German imperial loans and loans of German States," then I should recommend that subhead (b) which Herr Roland-Lücke proposed on the spur of the moment, be "Other securities available as collateral at the Reichsbank or at other central banks" (I am thinking specially of the Bank of England); and that there should follow subheads (c) "Other listed securities" and (d) "Other securities." If the intermediate balance sheets are thus itemized, I really think that all fair demands will have been satisfied.

Then come "Participations in syndicates." On this point the experts have expressed their views in great detail. In my opinion there can be no question here of an itemized statement; why this is, I shall explain later.

Then come "Permanent participations with other banks and banking firms." The yearly report shows where these permanent participations are, so there is no need of an itemized statement.

Next come "Debits in current account," and here a distinction should properly be made with regard to the pledges, as also on the other side with regard to the guaranteed acceptances.

Then comes the "Bank building"—that is another delicate item—and then "Other assets."

National Monetary Commission

Under liabilities are to be included "Share capital, reserves, credits in current account, deposit moneys." Here Herr Roland-Lücke suggested a subhead against which I have personally nothing to say, but which, you must remember, will involve a good deal of work if it is to be accurately made out. I refer to the credits of banking firms. I have already remarked that there are many firms about which it is hard to say whether they are predominantly banking firms or mercantile houses. This is of course a point which enters in here, and you will see how hard it would be to make an itemized statement of this, and how different the matter looks according as one views it from one side or the other. You may depend upon it, gentlemen, that opinions will certainly differ very much as to the advisability of this subhead. Of course it can be put in, and there is some ground for wishing it to be put in, but I think one must not expect too much from it; firms that you would not regard as banking firms might sometimes be set down under this head. But in itself the itemized statement will do no harm.

Then come "Acceptances and checks, guaranteed-acceptance obligations, pension and foundation fund, and other liabilities."

With regard to the grouping of credits, let me at once show you how far Herr Roland-Lücke's proposal, which I have discussed, takes into account the proposals of the experts. For, gentlemen, whatever we may think about the opinions of the experts, all of us who have attended the sittings of the last few days must have been convinced that the experts have given their advice with the greatest

Bank Inquiry of 1908-9

zeal and with the greatest impartiality, and I am therefore of the opinion that we should not by any means throw their opinions to the winds and that we should not assume offhand that in the matter of these often conflicting opinions our authority counts for so much more than the authority of the experts. Of course we must come to some conclusion, but I think that so far as possible in regard to the matter we are now discussing, as in regard to other matters, we ought to listen to the opinions which have been furnished us, in many cases in great detail, by the experts.

First, we have the expert Picard. The wishes of this expert cover such a vast amount of ground that he will be the hardest one to satisfy. He wants to have the credits divided into credits at the Reichsbank and credits elsewhere; in this, as I have already said, I agree with him. He then comes to the question of bills, and these he wishes to have completely classified. He wants to have customers' bills separated from bills which the bank has drawn on its customers—we have already taken account of that point—and he wants to have mark bills separated from bills in foreign currency. Here we come to a very important point. I can not blame him for desiring this, and yet as a bank manager I must say that it would be extremely dangerous. To go back once more to the state of affairs in the Norddeutsche Bank, of which I have most knowledge, you will find there home bills and outside bills, and the outside bills are such bills as are due elsewhere than in Hamburg. But if you speak of foreign bills, I should not set that down in my statement. ["Quite right."] I consider

National Monetary Commission

that for a bank in our position—a bank with many more deposits than it wants—the best possible reserve is a good portfolio of bills on London. We always hold about a million pounds of bills on London, but it is true in Hamburg the largest business is in English money, and all the brokers, in so far as they are not dependent on Berlin, look to the Norddeutsche Bank. Now, for one thing, it is impossible for me to tell these people in my statement whether I have a very full portfolio or not—that would be showing my cards too much. But there is another point that is still more important. I can imagine a political situation in which prudence would require me to decide, though very reluctantly, to make my London portfolio very much smaller or to get rid of it altogether. If I am obliged to make it known in my statement that I have taken a measure which is likely to cause general alarm, then I can not take the responsibility for that alarm. It is one thing for me to be apprehensive and to act upon my grounds for anxiety; it is quite another thing for me to spread this anxiety abroad among the general public. ["Very true."] This looks perhaps like obstinacy; why should one not make itemized statements of foreign debits and credits and, above all, of the foreign portfolio? But there are a great many valid reasons against it. I can not speak for the other banks, but for my own part I shall oppose this sort of itemization as long as I can. I say this with all respect for the experts' opinion; I wish to explain why I can not accede to the proposal of the expert Picard, much as I should like to do so.

Bank Inquiry of 1908-9

He wishes further to have as a separate item the *report* stocks—that is, loans on collateral to banking firms or persons doing business on the bourse, subject to a month's notice. We have already spoken of this. But he also wants to have the *lombard* advance payments entirely separated, and that would, in my opinion, involve an enormous amount of work. I do not think it would be possible. A bank that has its own rule about this, in which it is stated under what conditions loans on collateral will be given, must be trusted to keep to this rule, and when the Norddeutsche Bank states the amount of fresh loans everyone knows that the loans have been made according to our rule. To specify further what the securities are would, I think, be impossible; moreover, if we keep in mind the interests of the customers in cases where large sums are involved, it would not be discreet or practicable.

Now we come to the stocks owned by the bank itself. Here the expert Picard makes very much the same proposal that we ourselves made, only he goes still farther and would have shares in mines and shares in Bohre separately entered, as well as shares in foreign railroads and transportation enterprises. These it is impossible to keep separate, at least in the intermediate balance sheets.

Finally he comes to unlisted securities, which, like the listed ones, are to be classified into various divisions. This is, of course, also impracticable.

Then come the syndicate participations, itemized as in the case of the bank's own securities, and with

National Monetary Commission

statement of the amount of payments still due. Intrinsically the syndicate participation would admit of being divided into these classes. But I should strongly advise against it, because the syndicate accounts are affected by elements quite different from those involved in the separate ownership of securities. A great many things are mixed up in the matter; for example, there are loans which have been given out, but which have not yet all been paid, account must be taken of sub-participations which have not yet been entered in the books on loan account, etc. In short, to itemize so minutely these syndicate participations, in which the matters involved are always of the nature of unfinished business, I consider entirely impracticable, and, indeed, impossible; and yet this is a modest request; other experts wish to go still farther. They wish to have it stated how much is still to be paid in upon the participation. Yes, gentlemen, if one only knew that oneself! When the subscription for the last imperial loans took place, and after the subscription we thought we had fulfilled our share and had nothing more to pay in, it turned out afterwards, as is well known, that even to-day large sums are left over and are to be paid in upon syndicate participation. In the balance sheet, of course, nothing should be estimated, everything should be positive; but in the itemizing of the syndicate participation everything would turn upon estimates, which, with the best of will, often turn out to be entirely mistaken. ("Very true.")

Then come the *Kommandit* participations. These can be treated as proposed.

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The same is true of permanent participations in foreign undertakings.

Next come the account-current debits, which it is proposed to subdivide into covered and uncovered debits; the former being further classified according as the cover consists of listed securities, unlisted securities, merchandise, bills, or, finally, mortgages, pledges, or other securities. Another expert actually wishes to know the class to which each mortgage belongs, as though that made any difference. A fourth mortgage may be very much better than a second mortgage; it all depends on the amount of the mortgage and the value of the thing mortgaged. If a bank has to set forth all these things, it will take three months and more to get the statement out.

Next come pledge debits, real estate used by the bank, and real estate not used by the bank. Well, all the banks do this. They specify their real estate in their balance sheets. There is no object in this, however, in the case of the intermediate balance sheet, for very likely the real estate holdings remain unaltered. These are things which generally drag along a good while, and in any case are never of such importance that their introduction into the intermediate statement would be of any interest.

Then come the liabilities. The expert Picard wishes to have the credits separated into credits due on demand, credits subject to eight days' notice, those subject to one month's notice, and those subject to a notice of several months. Gentlemen, this is absolutely impossible, first because of the amount of work and second because at normal times, even when we have made an agreement

National Monetary Commission

with some one that we shall not pay out certain sums at less than fourteen days' notice, we nevertheless do pay them sooner as a matter of course if the party wishes to make use of them. Itemizations of this kind, therefore, are often misleading, besides taking up a lot of time.

Gentlemen, there follow a number of other experts, Herr Christians, Herr Kronlein, and so on; but I fear I am keeping you too long, and I will therefore only take up the opinion of the one who has submitted his proposals with the greatest enthusiasm and who, I will admit, has a good deal of expert knowledge—I mean Herr Bernhard. I wish to say one thing to start with. On page 168, after having been subjected for some time to a fire of questions from practical men [laughter], he himself says that in comparing with the annual balance-sheet, it will be found that he had included a great many items under one heading; he did this, he says, because otherwise the expense would have been indefinitely increased. He heard from this from all sides. He goes on to say: "This would be absolutely unjustifiable and would lay upon the banks a burden which, to say the least, would be very uneconomical. Moreover, it must be remembered that what is here in question is the publication of a monthly statement, and consequently the publication of the payments and obligations of affiliated institutions might now and then lead to the disclosure of many business secrets." Finally, he says: "I, too, am decidedly opposed to its being expected of the banks to disclose these secrets. This is only one of the reasons why I have here brought a great many items under one head. Furthermore, throughout the statement I have not laid