

CLEARING HOUSE LOAN CERTIFICATES

AND SUBSTITUTES FOR MONEY

USED DURING THE PANIC OF 1907

WITH SUGGESTIONS FOR AN EMERGENCY CURRENCY

BASED UPON SUCH LOAN CERTIFICATES

BY

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**DELIVERED BEFORE
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CLEARING HOUSE LOAN CERTIFICATES

1907

Mr. Chairman and Gentlemen:

I am to speak to you this evening on the subject, "Clearing House Loan Certificates and Substitutes for Money Used during the Panic of 1907."

The Panic of 1907 differed, as every panic does, from its predecessors, and one of its most notable characteristics was the sharp, quick and decisive clogging of Inland Exchange. This condition of affairs was more pronounced during the late panic than in any of the previous disturbances, because of the growth of our industries and the changing mercantile conditions which compelled large and constant remittances to our central reserve cities. A study of panics shows that they generally result from overtrading and inflation, which are checked by some untoward circumstance, such as the failure of an important bank or banking institution in one of the large money centres, notably in New York, and the distrust thus created in the minds of the people breaks the bubble of inflation. The panicky condition thus brought about is not immediately felt throughout the country, but its ripples gradually spread like those caused by the dropping of a pebble in water.

In 1907, the bankers of the country, having had experience in previous panics, recognized what was coming, and took immediate steps through their respective Clearing House Associations to ward off the detrimental effects of the financial disturbance in this City; hence there sprang into existence, within forty-eight hours, through these sources, a large volume of Clearing House Certificates. Because these Loan Certificates were not interchangeable, and were in only a very few instances received on deposit by banks outside of the immediate city or vicinity where issued, the operations of the banking interests of each lo-

Clearing House Loan Certificates

cality were confined almost exclusively to itself, thus clogging Inland Exchange and preventing the free circulation of the credits of the country through the drafts that are usually drawn by one money centre upon another. Clearing House Loan Certificates, therefore, filled a more important place in the panic of 1907 than in any previous panic in which they had been used in this country, and it seems to me that by studying to some extent the conditions under which they were issued, we can gather many useful lessons in finance, and perhaps can point the way to a solution of some of our currency problems.

Clearing House Loan Certificates are instruments which represent temporary loans made by the banks banded together as a Clearing House Association, to the individual members of such association, upon collateral acceptable to a Committee of bankers appointed for the purpose of passing on and holding such collateral. The certificates bear a stated rate of interest, and are available to the banks only for use in settling balances due to the other members of the same association. As Clearing House balances are normally payable in cash, these certificates render available for other purposes an amount of cash equal to the total of certificates issued.

Clearing House Loan Certificates were first issued in this country in 1860. From that time until the panic of 1893, their use had been strictly confined to the settlement of balances between the banks. In a few instances, however, in the South, during the panic of 1893, and to a considerably greater and more general extent in the recent disturbance through which we have passed, instruments known variously as Cashiers' Checks, Clearing House Checks, Clearing House Scrip and Certificates of Indebtedness, specimens of all of which I will show you, were issued and circulated freely as money in the communities in which they were made available. Some of these instruments were issued in such a way as to circumvent any existing legislation on the subject, while others could undoubtedly have been justly subjected to a tax, but taking into consideration the exigencies under which they

[Page 4]

Clearing House Loan Certificates

were issued, and the further fact of their immediate retirement as soon as the conditions which had called them forth had passed, I believe no right thinking man would condemn either the purpose or the act.

The Charter of the Bank of England directs that no currency shall be issued except upon the deposit of a like amount of gold coin with the Issue Department, and yet upon three occasions in its history, conditions have been deemed sufficiently critical by its Governors to cause them to temporarily disregard that provision of the Charter, and issue enough currency, secured by other available collateral, to meet the immediate requirements of business. This currency was in each instance retired as soon as conditions again became normal, and it may be added that on all three occasions the consent of Parliament to this action was subsequently obtained. So it will be seen that under certain circumstances, in England, as well as in this country, the disregard of established customs has been deemed justifiable. Personally, I believe that any form of currency issued in a time of financial stress, under Clearing House supervision, properly safeguarded to insure its redemption at its face value when the necessity for it has ceased to exist, should be recognized as a valuable possibility, and should not be subjected to adverse criticism.

During the few months immediately subsequent to the panic of 1907, I obtained from every Clearing House in this country, specimens of the various temporary instruments issued by them to relieve their local situations, as well as copies of the resolutions under which they were issued and all the facts in connection therewith, including the date of issue, the length of time they were used, the aggregate amount put out and the maximum amount outstanding at any one time. From these certificates, I have selected such as seem to contain unusual or distinguishing features and have had lantern slides made from them, which I now propose to show you, pointing out these different features as we go along:

Clearing House Loan Certificates

NEW YORK CITY

I shall first show you a copy of the Loan Certificate issued by the New York Clearing House Association, as most of the *Certificates* (as distinguished from checks) very closely resemble this, and in the larger centres, in many instances, they were identical.

I might state in this connection that in the aggregate \$101,000,000 of these certificates were issued during the panic. The date of the first issue was October 26th, 1907; the date of the first cancellation was November 14th, 1907; the date of the final issue was January 30th, 1908, and the date of the final cancellation was March 28th, 1908.

The greatest amount of these certificates issued to any one bank was \$17,000,000, and the smallest \$250,000.

The time elapsed from the first issue to the final cancellation was 22 weeks, or 154 days.

AUGUSTA, GA.

Issued in denominations of \$1, \$5, \$10 and \$20. Secured by collateral 50% in excess of the amount issued. Meeting held Nov. 2nd, 1907, authorized the banks to give their notes to three appointed Trustees, due July 1st, 1908, secured by collateral as above, payable at any time in the interim with Clearing House Certificates or lawful money. Payment of each check guaranteed on back by the banks composing the Clearing House Association. \$5 certificate shown.

BALTIMORE, MD.

To be issued up to 75% of the collateral deposited and to no bank in excess of 30% of its capital. The smallest percentage of certificates to capital that has come to my attention. \$10,000 certificate shown.

FIFTY THOUSAND DOLLARS.

No. 50593

\$50,000.

Loan Committee of the New York Clearing House Association.

New York,

This Certifies, that the _____ has deposited with this Committee, securities in accordance with the proceedings of Meeting of the Association, held October 28th, 1907 upon which this Certificate is issued. This Certificate will be received in payment of balances at the Clearing House for the sum of FIFTY THOUSAND DOLLARS. from any Member of the Clearing House Association.

On the surrender of this Certificate by the depositing Bank above named, the Committee will endorse the amount as a payment on the obligation of said Bank, held by them, and surrender a proportionate share of the collateral securities held therefor.

Committee.

\$50,000.

No. 85498
SERIES A.

Augusta Clearing House Association Certificate

AUGUSTA, GA.

5



This Certifies that the Banks composing the Augusta Clearing House Association have deposited with A. S. Hatch, P. S. North and Wm. Schweitzer, Trustees of said Clearing House Association, securities to the value of FIFTY DOLLARS and FIVE CENTS to secure to the bearer hereof the payment of the sum of

5 FIVE DOLLARS

in lawful agency of the United States, payable to or for the order of _____, of July 1st, 1907. This certificate is issued in accordance with the proceedings of a meeting of the said Association, held on the Second day of November, 1907, and will be received on deposit or in payment of debts due, any Bank in said Clearing House.

ROBT. & THOMAS CO. ATLANTA

FOR TRUSTEES

BALTIMORE CLEARING HOUSE.

No. 205

Baltimore,

190

This Certifies that the _____ has deposited with the Executive Committee of this Clearing House, securities, in accordance with the proceedings of a meeting of the Clearing House held October 28th, 1907, upon which this certificate is issued. This certificate will be received in payment of balances at the Clearing House for the sum of Ten Thousand Dollars from any member of the Clearing House. On the surrender of this certificate by the depositing bank above named, the committee will endorse the amount as a payment on the obligations of said bank held by them and surrender a proportionate share of collateral securities held therefor.

\$10,000

CANCELLED

MANAGER

Five Thousand Dollars.

No. 200

Loan Committee of the

\$5000.

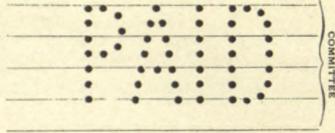
Buffalo Clearing House Association

Buffalo, N. Y., _____ 190__

This Certifies that there have been deposited with this committee securities in accordance with the proceedings of a Meeting of the Association held October 29th, 1907, upon which this Certificate is issued. This Certificate will be received in payment of balances at the Clearing House for the sum of Five Thousand Dollars from any Member of the Clearing House Association.

On the surrender of this Certificate by the Depositing Bank the Committee will endorse the amount as a payment on the obligation of said Bank held by them, and surrender a proportionate share of the collateral securities held therefor.

\$5000.



TO OUR EMPLOYEES:
This check will be received in payment of your bills by merchants and business men, and will be deposited by them in their banks for payment through the Canton Clearing House.
BE CAREFUL NOT TO LOSE THIS CHECK
AS IT IS PAYABLE TO BEARER.

\$5.00

Canton, Ohio, _____

THE CITY NATIONAL BANK

CANTON, OHIO

Pay to the bearer, through the CANTON CLEARING HOUSE only,

FIVE DOLLARS

No. _____

\$1.00

Canton, Ohio, November 11, 1907.

PAY TO THE BEARER

ONE DOLLAR ONE DOLLAR \$1.00

PAYABLE ONLY THROUGH THE CANTON CLEARING HOUSE.

THE FIRST NATIONAL BANK.

Cashier.

Clearing House Loan Certificates

BUFFALO, N. Y.

In form practically the same as at New York. This differs from other issues only in the omission of the name of the bank to which they were issued, the identity of the certificate with the collateral being preserved by means of the certificate numbers, a record of which was confidentially kept at the Clearing House. By this means no attention was drawn to the banks which found it necessary to use them.

CANTON, OHIO

Canton is a centre of manufacturing interests of considerable magnitude, and, therefore, required large amounts of cash for pay rolls which was not available. A consultation was held between the banks and their manufacturing clients with the result that pay checks were agreed upon. One general form was used, as shown on the screen, in three denominations, \$5, \$10 and \$20, and each bank provided its customers with a supply of these. The checks were made payable to "Bearer" through the Canton Clearing House Association only and had to be signed by an authorized person connected with the firm or corporation issuing them. These checks, however, were found unsatisfactory, partly from the fact that when small purchases were made with them the tradespeople were obliged to make change with cash, which soon depleted their supply. Subsequently, therefore, clearing house checks or cashiers' checks, as shown, also payable to "Bearer," through the Clearing House only, in amounts to \$1, \$2, \$5 and \$10, were issued. These checks had no collateral security back of them and were accepted purely on the responsibility of the issuing bank.

Clearing House Loan Certificates

CHICAGO, ILL.

Chicago, in 1907, issued certificates for the first time in its history. A Committee reported in favor of them in 1893, but before they could be made ready for issue, conditions had improved to such an extent that they were unnecessary. Their Clearing House Loan Certificate was in the same form as at New York and so it is needless to show it. Early in November, of 1907, provision was made for the deposit of these certificates by any bank, and the issuance therefor, of Clearing House checks in denominations of \$1, \$2, \$5 and \$10, in amount equal to the face value of the certificates so deposited, in favor of the depositing bank. So the checks were secured by certificates, and the certificates by collateral. These checks were all made payable through the Clearing House and were drawn on National Banks. They were thus drawn in order to avoid any complications that might arise out of provision of the State Law for a prohibitive tax on circulation issued by the State Banks.

CINCINNATI, OHIO

Only Cashiers' checks were issued at Cincinnati, secured by collateral to an amount 20% to 25% in excess of the amount issued. An interesting incident in connection with their issue, was the fact that the newspapers of that city published a list of merchants, numbering in excess of three hundred names, who had expressed their willingness to cash these checks, and in several instances a premium of as high as five per cent. was offered for purchases made and settled by means of these Cashiers' Checks. Thus the merchants did what they could to stimulate the confidence of the public in these checks and so helped the situation along.

THIS CHECK IS PAYABLE ONLY THROUGH THE CHICAGO CLEARING HOUSE AND MUST BE COLLECTED THROUGH A BANK

CHICAGO, NOVEMBER 11TH 1907 N^o B 11701

Chicago Clearing House Association

COMMERCIAL NATIONAL BANK,
CHICAGO, ILLINOIS OR BEARER **\$2⁰⁰/₁₀₀**

PAY TO **TWO AND ⁰⁰/₁₀₀** **Dollars**

TO THE CONTINENTAL NATIONAL BANK OF CHICAGO

THIS CHECK IS PROTECTED BY SECURITIES DEPOSITED WITH THE CHICAGO CLEARING HOUSE ASSOCIATION.

W. H. ... MANAGER
W. H. ... ASSISTANT MANAGER

PAYABLE THROUGH CINCINNATI CLEARING HOUSE

N^o 61 CINCINNATI, NOV. 4TH 1907

ATLAS NATIONAL BANK

TWENTY DOLLARS
PAY TO BEARER

— TWENTY DOLLARS —

\$20⁰⁰

W. H. ... CASHIER

THIS CHECK IS PAYABLE ONLY THROUGH THE CLEVELAND CLEARING HOUSE AND MUST BE COLLECTED THROUGH A BANK

CLEVELAND, OHIO, NOVEMBER 29TH 1907 N^o D 0000 15

CLEVELAND CLEARING HOUSE ASSOCIATION

THIS CHECK IS FOR **TEN DOLLARS**

PAY TO _____ OR BEARER **\$10⁰⁰/₁₀₀**

TEN AND ⁰⁰/₁₀₀ **Dollars**

TO UNION NATIONAL BANK
CLEVELAND, OHIO

E. R. State
TREASURER

● SPECIMEN ●

ARBITRARY SIGNATURE

THIS CHECK IS PROTECTED BY SECURITIES DEPOSITED WITH THE CLEVELAND CLEARING HOUSE ASSOCIATION.

NO DUPLICATE WILL BE ISSUED FOR THIS CHECK
THIS CHECK IS PAYABLE TO WHOMEVER
IT SHOULD BEYOND THIS CHECK

\$500 Denver, Colo., Nov. 5th 1907. **\$500**

N^o

THE COLORADO NATIONAL BANK

PAY TO BEARER **FIVE DOLLARS** THROUGH THE DENVER CLEARING HOUSE.

CASHIERS CHECK

Cashier

THIS CHECK IS ISSUED AGAINST A DEPOSIT OF SECURITY APPROVED BY THE FINANCE COMMITTEE OF THE DENVER CLEARING HOUSE ASSOCIATION, AND HELD BY SAID ASSOCIATION AS TRUSTEES. THIS CHECK IS PAID AND PRESENTED FOR CANCELLATION.

THE DENVER CLEARING HOUSE ASSOCIATION,

Registered No. _____ By _____



Clearing House Loan Certificates

CLEVELAND, OHIO

Clearing House Loan Certificates and Clearing House checks both were issued at Cleveland, the latter being issued against the deposit of the former, as at Chicago, but the Loan Certificates in Cleveland, unlike those of Chicago, were not used for settling balances at the Clearing House, which was their function generally throughout the country, but solely for the purpose of securing the issue of Clearing House Checks.

DENVER, COL.

Cashiers' Checks issued in amounts of \$5, \$10 and \$20 by the individual banks, on the deposit of acceptable collateral with the Finance Committee of the Clearing House. A Registrar was appointed to register and sign all checks before issue, and the banks, by agreement, each issued \$50,000 of these checks, in order to make the action unanimous. The checks were handsomely lithographed, to lessen the chances of counterfeiting, and on the reverse side contained a picture of the state capitol, as will be seen on the slide.

Clearing House Loan Certificates

DES MOINES, IOWA

As will be seen, this check states that in addition to being secured by approved collateral in the hands of the Clearing House Committee, the credit of all the Bank members of the Clearing House was pledged for its payment, which pledge was covered by a resolution to that effect. Few certificates issued stated that fact, though literally all the member banks of every Association which took action in the matter of issuing certificates were so pledged.

DETROIT, MICH.

Clearing House Loan Certificates were issued in Detroit, but no Clearing House checks. Large pay rolls were handled to some extent through the issue by the individual banks of their Cashiers' Checks in amounts of \$5 and \$10 for that purpose. A considerable measure of relief was afforded, however, through the procurement, by some of the large manufacturing concerns, of Canadian currency, from banks across the river, in exchange for their checks payable through the Detroit Clearing House, such currency, by reason of Detroit's frontier location, readily passing current with the public.

FARGO, N. D.

A Trustee was appointed by the Fargo Clearing House Association to receive collateral and issue certificates to an amount equal to only 50% of such collateral deposited. This percentage represents as large a margin of collateral as was required by any Association that issued certificates during the Panic of 1907. This is practically the only Clearing House Association which issued certificates in small amounts, viz: \$5, \$10 and \$20, as well as in the larger amounts, most Associations having issued Cashiers' or Clearing House checks for the smaller amounts.

The Des Moines Clearing House Association

PAY TO THE BEARER ON OR BEFORE THREE MONTHS FROM THIS DATE, THE SUM OF

●●●●● 2609 ●●●●● A ONE DOLLAR ●●●●● \$1.00

This certificate is secured by the deposit of approved securities with the clearing house committee of the Des Moines Clearing House Association, and it is also issued upon the credit of the banks of the city of Des Moines, Iowa, members of said Association, and will be received by any of said banks on deposit or payment of any obligations due them. Dated at Des Moines, Iowa, this 28th day of October, A.D. 1907.

DES MOINES CLEARING HOUSE ASSOCIATION.

NOT VALID UNLESS ENDORSED BY THE PRESIDENT OR CASHIER OF A DES MOINES CLEARING HOUSE BANK

\$ 1.00

BY *J. J. Wiseman*
Samuel Miller
J. Mackinon
DES MOINES CLEARING HOUSE COMMITTEE.

No. **Loan Committee of the** **Detroit Clearing House Association** *\$5,000.*

Detroit, Mich.

This Certifies that *has deposited with this Committee securities in accordance with the proceedings of a meeting of the Association held upon which this certificate is issued.*

This certificate will be received in payment of balances at the Clearing House for the sum of FIVE THOUSAND DOLLARS, from any member of the Clearing House Association.

On surrender of this certificate by the Depositing Bank, above named, the Committee will endorse the amount as a payment on the obligation of said Bank, held by them and surrender a proportionate part of the collateral securities held therefor.

Committee
Samuel
Samuel

FIVE THOUSAND DOLLARS

FARGO, N. D. 190

ON OR BEFORE THREE MONTHS AFTER DATE THE BANKS OF FARGO AND MOORHEAD COMPOSING THE

Clearing House Association
OF THE CITY OF FARGO

PAY TO THE BEARER THE SUM OF TEN DOLLARS (\$10.00)

THIS CERTIFICATE IS ISSUED UNDER AN AGREEMENT BETWEEN THE FIRST NATIONAL BANK OF FARGO, THE MERCHANTS NATIONAL BANK OF FARGO, THE FARMERS NATIONAL BANK OF FARGO, THE COMMERCIAL BANK OF FARGO, THE MORTGAGE TRUST COMPANY OF FARGO, THE NORTH WESTERN MUTUAL SAVINGS AND LOAN ASSOCIATION OF FARGO, THE NATIONAL BANK OF MOORHEAD, THE MORTGAGE NATIONAL BANK OF MOORHEAD, THE FIRST STATE BANK OF MOORHEAD, OF WHICH SAID BANKS ARE LIABLE

THE CLEARING HOUSE ASSOCIATION OF THE CITY OF FARGO

PRESIDENT
SECRETARY

NO. 1001

THIS CHECK IS PAYABLE THROUGH FORT WAYNE CLEARING HOUSE AND MUST BE COLLECTED THROUGH A BANK

Fort Wayne, Nov. 1907. No. C

Fort Wayne Clearing House Association

THIS CHECK IS FOR FIVE DOLLARS

Pay to HAMILTON NATIONAL BANK or bearer \$5.00

FIVE AND 00/100 Dollars

To THE GERMAN-AMERICAN NATIONAL BANK FORT WAYNE INDIANA

No. 2

THIS CHECK IS PROTECTED BY SECURITIES DEPOSITED WITH THE FORT WAYNE CLEARING HOUSE ASSOCIATION.

Specimen

Paul W. Hut MANAGER

ASSISTANT SECRETARY

FIVE THOUSAND DOLLARS

Clearing House Committee of the Fort Wayne Clearing House Association

No. *X* \$5,000.00

This Certifies that the _____ Bank has deposited with this Committee securities in accordance with the proceedings of the meeting of the Association on October 28, 1907, upon which this Certificate is issued. This Certificate will be received in payment of balances at the Clearing House for the sum of FIVE THOUSAND DOLLARS from any member of the Clearing House Association.

- Specimen -

Manager

Committee

Clearing House Loan Certificates

FORT WAYNE, IND.

Trust Company members of the Clearing House were not allowed to issue checks direct. Loans, secured by collateral in amounts passed upon by the Committee, were made, when desired, by the bank members, and checks drawn by the Trust Companies against such loans, were paid with Clearing House checks. Thus the Trust Companies were enabled to use these checks in about the same manner as were the banks. The Clearing House Loan Certificates were used both in the payment of balances and as security for Clearing House checks, as at Chicago.

Clearing House Loan Certificates

GRAND RAPIDS, MICH.

The Grand Rapids Association had prepared and ready for use, although the situation in that City did not reach an acute enough stage to require their issuance, a rather unique form of certificate. This form, as will be seen, embodied a demand promissory note upon its face, which provided for the placing of collateral with the Association. It further provided that in the event of the note not being paid on demand, the maker consented to the sale of the collateral thereto. If the proceeds of such sale were insufficient to pay the face of the note, the maker agreed to be answerable for the deficiency, thus placing practically the entire assets of the bank back of the note. The reverse side contains the Clearing House Loan Certificate, in form similar to those of other associations. I show this form in two views as being a distinct departure from anything I have seen of like character.

CLEARING HOUSE

No. _____

CERTIFICATE

\$1000

GRAND RAPIDS, MICH.

On demand, the _____ Bank of
Grand Rapids, Michigan, promises to pay the Grand Rapids Clearing House
Association, or order at the Clearing House of said Association, the sum of
ONE THOUSAND DOLLARS, value received, with interest from the date of this note at the
rate of _____ per cent. per annum. And the maker of this note has deposited
with the said Association as collateral security for the payment of this note
and for the payment of every other obligation of the maker of this note to said
Association, due or to become due, now contracted or which may hereafter be
contracted, securities to the satisfaction of said Association. The maker agrees
that if this note should not be paid upon demand, the said Association or its
assigns shall have full power and authority to sell any or all the above securities
or any additions thereto or substitutes therefor, at any public or private sale, or at any
board of brokers free and discharged from any equity of redemption. At any such
sale or sales the said Association or any of its members or its assigns may purchase any
or all the above securities or any additions thereto or substitutes therefor free and dis-
charged from any equity of redemption. If the proceeds of such sale or sales should
not be sufficient for the payment of this note the maker agrees to be answerable to
said Association for such deficiency, and the maker agrees to deposit additional
securities upon the demand thereof, and to the satisfaction of said Association.

Upon the payment, cancellation and presentation to the Clearing House
Committee of this note the securities pledged therefor shall be returned to the maker.

The _____ Bank of
GRAND RAPIDS, MICHIGAN.

By _____ President

and _____ Cashier

No. _____

Clearing House Loan Certificate.

BANK

TO

**GRAND RAPIDS CLEARING HOUSE
ASSOCIATION.**

ONE THOUSAND DOLLARS

Pay to

Bank, and to any Bank or Banker to which
this note may be delivered in the usual course
of Business for value received.

Manager Clearing House

\$1,000.00

NO. _____

LOAN CERTIFICATE

GRAND RAPIDS CLEARING HOUSE ASSOCIATION.

GRAND RAPIDS, MICH. _____

This Certifies that the _____ Bank of Grand Rapids, Mich., has deposited with this committee securities in accordance with the Rules of this Association, and the special action and order of the Association at a meeting held _____

The within note will be received during the continuance of said order and authority, in payment of balances at the Clearing House for the sum of **ONE THOUSAND DOLLARS** from a debtor member of the Association, and may be used by the Manager of the Clearing House in settlement of balances due to any member

GRAND RAPIDS CLEARING HOUSE ASSOCIATION:

By _____

Clearing
House
Committee

No 7971 D **\$1.00**

The Harrisburg Clearing House Association
is indebted to Bearer

ONE DOLLAR

Guaranteed by the Banks and Trust Companies of Harrisburg and Steelton,
Pennsylvania, and Payable only through the Harrisburg Clearing House.

A. T. Thomas Secretary *C. A. Kunkel* President

ONE DOLLAR **ONE DOLLAR**

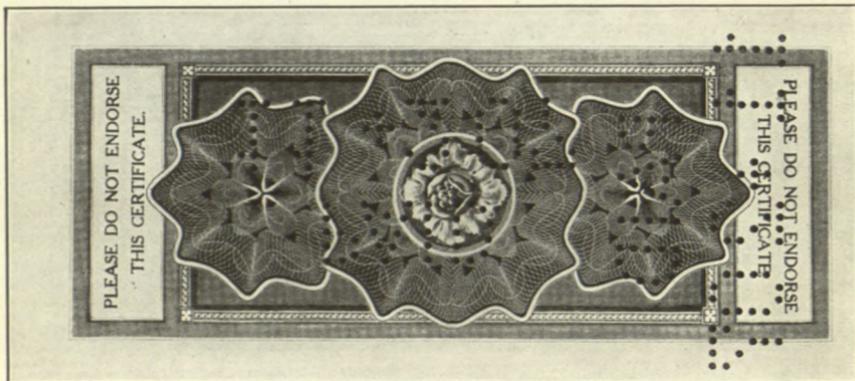
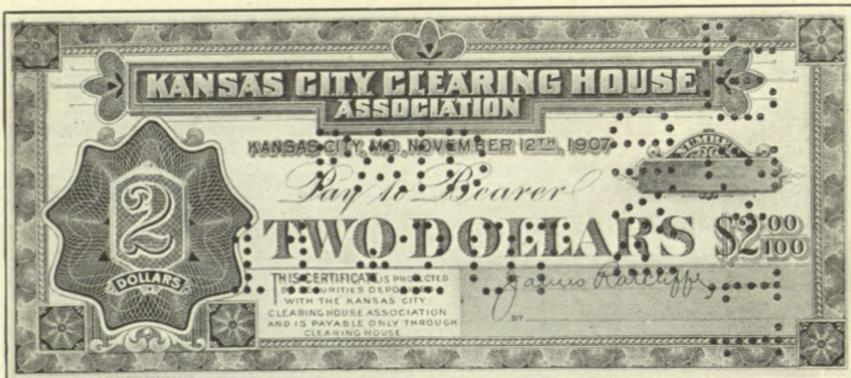
This may be deposited, but will not be paid
in cash.

Tento vek může být vložen do banky ale
nebude vyplacen v hotových penězích v bance.

Ezen check betétként elhelyezhető a Bankba,
de készpénzben ki nem lesz fizetve a bankban.

Questo cheque può essere depositato, ma non
sarà scontato in contanti dalla banca.

ONE DOLLAR **ONE DOLLAR**



Series _____ \$5.00

Little Rock Clearing House Certificate

One Hundred LITTLE ROCK, ARK. _____ 1907.

Pay to the bearer **FIVE DOLLARS**, when this certificate is countersigned by J. S. Pollock, manager of the Clearing House, or by either one of the members of the committee hereinafter named. This certificate is secured by approved collateral, deposited with the undersigned committee.

Countersigned: _____

No. _____

**W. B. WORTEN,
 H. C. RATHER,
 OSCAR DAVIS,
 SAM W. REYBURN,**
 Committee Little Rock Clearing House.

Clearing House Loan Certificates

HARRISBURG, PA.

Besides Clearing House Loan Certificates, the Harrisburg Association issued what it termed "Certificates of Indebtedness" stating, as may be seen from the illustration, that the Association was indebted to the bearer in the sum of \$1, the payment of the same being guaranteed by the members of the Harrisburg and Steelton Associations, but only through the Harrisburg Clearing House. The reverse side shows printed in four languages (English, Polish, Hungarian and Italian) the words: "This check may be deposited, but will not be paid in cash." This was undoubtedly intended to meet the requirements of a diversified population.

KANSAS CITY, MO.

The Kansas City Association issued both certificates and checks, and each were secured directly by collateral. In this respect their action differed from that of most other associations which issued both these forms of instruments, since generally the checks were secured by the deposit of certificates, which in turn were secured by collateral. The checks issued by Kansas City were among the finest, in design, turned out by any association in the country, having been lithographed by the Union Bank Note Company of that City. In form they are not unlike many others that have been shown, and I exhibit both the front and reverse side merely that you may see what fine specimens they are.

LITTLE ROCK, ARK.

The Certificates issued by the Little Rock Association were again different in form from any others, as will be seen. The chief distinction that entitles these certificates to our consideration is the fact that they carried interest at the rate of ten per cent., an unusually high rate of interest, although it is not so stated on the certificate.

Clearing House Loan Certificates

LOS ANGELES, CAL.

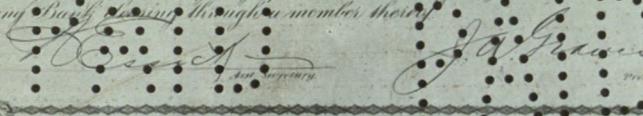
Both Clearing House Loan Certificates and Circulating Scrip, the latter corresponding to the Clearing House Checks used by other associations, were issued in Los Angeles. Originally, printed checks were used for circulation, as shown, but later, fearing counterfeiting, lithographed checks were used, which, like those of Kansas City, were very handsome. As will be seen, especially the reverse side closely resembles the engraving on our National currency.

Los Angeles Clearing House Certificate

No. D 11816 Los Angeles, California, November 5th 1907.

\$10⁰⁰ **TEN DOLLARS** **\$10⁰⁰**

Securities having been deposited with the Clearing House Committee of the Los Angeles Clearing House Association, this Certificate will be accepted for the sum named by any of the Banks composing said Association or any Bank clearing through a member thereof.



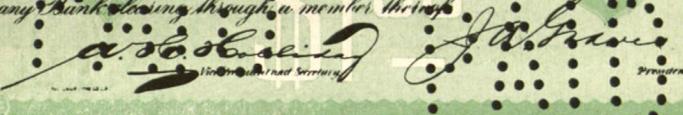
W. S. H. J. A. Graves

Los Angeles Clearing House Certificate

No. A 350581 Los Angeles, California, November 5th 1907.

ONE DOLLAR

Securities having been deposited with the Clearing House Committee of the Los Angeles Clearing House Association, this Certificate will be accepted for the sum named by any of the Banks composing said Association or any Bank clearing through a member thereof.



W. S. H. J. A. Graves



Clearing House Loan Certificates

OMAHA, NEBR.

Here is an illustration of the Clearing House Certificate used in Omaha. The word "Cancelled" has been written across it with acid, which has eaten away some of the paper. Omaha banks also were at liberty to issue their own Cashiers' checks in amounts of \$1, \$2, \$5, \$10 and \$20, after they had deposited collateral with the Manager of the Clearing House, to an amount 25% in excess of the total they desired to issue, and he had stamped across the check, "This check is secured by collateral approved by the Loan Committee of the Omaha Clearing House Association, deposited with its Manager as Trustee."

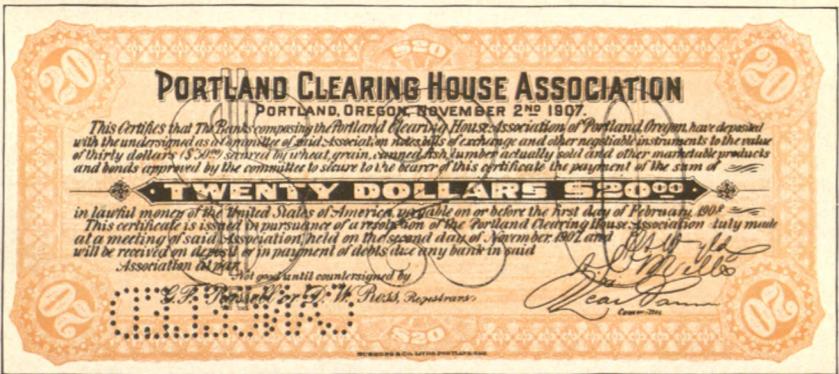
PHILADELPHIA, PA.

The Clearing House certificates issued in Philadelphia were almost identical with those of New York, and, therefore, require no special comment. The Philadelphia Banks also issued what were known as Pay Roll checks. These checks were prepared by the American Bank Note Company, in convenient amounts for the payment of pay rolls. Before these checks could be passed through the Clearing House, it was necessary that they should be certified by the bank of issue, and each institution was directed and required to set aside a "Pay Roll Account" for each depositor to whom such checks were issued, against which all such pay roll checks should be charged when paid.

Clearing House Loan Certificates

PORTLAND, ORE.

This association issued both certificates and checks. The certificates were in ordinary form, while the checks differed from others only in that they bore the date of February 1st, 1908, as the limit of their usefulness. These checks, too, were in rather elaborate form as will be seen from the illustration.



Certificate

St. Joseph Clearing House

NOT VALID UNLESS COUNTERSIGNED BY THE SECRETARY

ST. JOSEPH, MO., NOV. 2, 1902

This Certifies: That the Banks composing the St. Joseph Clearing House Association have deposited with the undersigned committee of said Clearing House Association securities to the value of twenty-five per cent, in excess of the amount of this Certificate, in order to the bearer hereof, payment in the sum of

One Thousand Dollars

payable through the St. Joseph Clearing House only

J. Schneider
J. M. Ryan
E. J. Jones
L. O. Hayes
 SECRETARY

This Certificate is issued in accordance with the proceedings of a meeting of said association held on the second day of November, 1902, and will be received on deposit or in payment of debts only when bank in said Clearing House.

COMMITTEE

SPECIMEN

The First National Bank of Buchanan Co.
Merchants Bank of St. Joseph
German-American Bank
The Tootle-Lemon Nat'l Bk. of St. Joseph
The Burnes National Bank of St. Joseph
St. Joseph Stock Yards Bank

MEMBERS OF
ST. JOSEPH CLEARING HOUSE ASSOCIATION

Clearing House Loan Certificates

ST. JOSEPH, MO.

A lithographed certificate was prepared in St. Joseph, like the one shown on the screen. The comparative ease, however, with which these certificates could be imitated, made it seem inadvisable to use them, so they were never issued. They did, however, issue Cashiers' checks which were received and used by the public with general satisfaction.

Clearing House Loan Certificates

ST. LOUIS, MO.

The form of the loan certificates used in St. Louis was identical with the style employed in other large centres. The banks did, however, issue Cashiers' checks, of which I shall show you three, each one being slightly different in form. The first, that of the Third National Bank, is made payable to H. Haill, Auditor, thus requiring an endorsement. The second, that of the National Bank of Commerce, is made to John Smith, or bearer, requiring no endorsement. The third, that of the Mechanics American National Bank, is made simply to bearer. It will be noted, too, that this check is countersigned, whereas the other two are not.

3rd NATIONAL BANK OF ST. LOUIS.

St. Louis, Mo. Nov. 1st 1907

Pay to the order of

N^o 293030 **A**

H. Haill, Auditor \$ 1⁰⁰

One ⁰⁰/₁₀₀ Dollars
Payable through St. Louis Clearing House only.

Cashier's Check.

E. H. Hastings
President.

to THE NATIONAL BANK of COMMERCE in ST. LOUIS.



Pay to the order of

\$ 1⁰⁰

John Smith or bearer No E 394761

One Dollar

PAYABLE ONLY THROUGH THE ST. LOUIS CLEARING HOUSE.

CASHIER'S CHECK

St. Louis, Mo.
Nov. 1, 1907

[Signature]
President

CASHIERS CHECK.

MECHANICS-AMERICAN NATIONAL BANK

CAPITAL \$2,000,000.

SURPLUS \$2,500,000.

ST. LOUIS, NOVEMBER 1ST 1907. NO. 43201

PAY TO THE ORDER OF

BEARER

\$ 1⁰⁰

ONE DOLLARS

PAYABLE THROUGH ST. LOUIS CLEARING HOUSE ONLY.
COUNTERSIGNED

[Signature]

Walter Hill
President.

No. 198 Loan Committee of the \$5,000.
St. Paul Clearing House Association
 St. Paul, Minn., 1907
CANCELLED
 This Certifies, That the _____ has deposited with this Committee securities in accordance with the proceedings of a Meeting of the Association, held October 29th, 1907, upon which this Certificate is issued. This Certificate will be received in payment of balances at the Clearing House for the sum of **Five Thousand Dollars**, from any member of the Clearing House Association.
 Valid only when registered by Northwestern Trust Company, St. Paul, Minn.
 On the surrender of this Certificate by the Depositing Bank above named, the Committee will endorse the amount as payment on the obligation of said Bank, held by them, and surrender a proportionate share of the collateral securities held thereon.
 Registered _____
 NORTHWESTERN TRUST CO.
 CANCELLED

Five Thousand Dollars

COMMITTEE

No. 1000 \$100
Executive Committee of the Salt Lake City Clearing House.
 Salt Lake City, _____
 This certifies that the _____ has deposited with this Committee securities in accordance with the proceedings of a meeting of the Association heretofore held, upon which this certificate is issued.
 This certificate will be received in payment of balances for the sum of ONE HUNDRED DOLLARS from any member of the Salt Lake City Clearing House, and draws interest at the rate of eight per cent per annum from date, said interest being payable to holder hereof. This certificate is not negotiable or transferable, except among members of this Clearing House.
 _____ Secretary _____ Chairman
 On the surrender of this certificate by the depositing bank above named, the Committee will endorse the amount as a payment on the obligation of said bank held by them, and surrender a proportionate share of the collateral securities held thereon.

Countersigned

L. W. Burton
 Asst. Secy Executive Committee
 NOV 9th 1907

Cashier's Check No. 2273
Payable only through Salt Lake Clearing House
 Pay to Bearer the sum of **One Dollar \$1.00**
 This check is secured by collateral approved by and deposited with the Executive Committee of the Salt Lake Clearing House as Trustees

EXECUTIVE COMMITTEE
 Chas. F. Burton, Frank Knox
 W. P. M. Conick, L. W. Farnsworth
 W. P. Young

Deseret National Bank,
 L. W. Burton, Cashier

Clearing House Loan Certificates

ST. PAUL, MINN.

Valid only when registered by the Northwestern Trust
Company.

SALT LAKE CITY, UTAH

Neither the Clearing House Certificates nor the Clear-
ing House Checks possess any unusual features, and are
simply shown in passing.

Clearing House Loan Certificates

SAN FRANCISCO, CAL.

The Clearing House Loan Certificates issued in San Francisco possessed no unusual features. The specimen of the Clearing House currency herewith shown was printed originally on safety paper, but it was soon discovered that this grade of paper would not stand the wear and tear of general usage, so lithographed certificates on bond paper were substituted, the first issue being recalled. This currency was issued against the deposit of Clearing House certificates, and was used by the San Jose Clearing House Association as well as by San Francisco.

No. _____

\$20,000

LOAN COMMITTEE OF THE SAN FRANCISCO CLEARING HOUSE ASSOCIATION

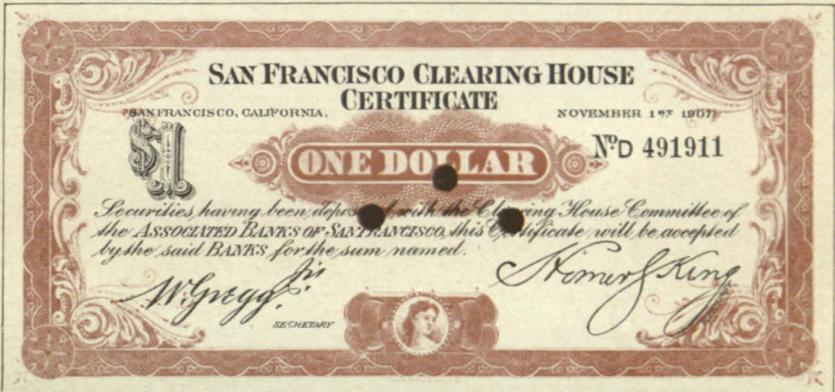
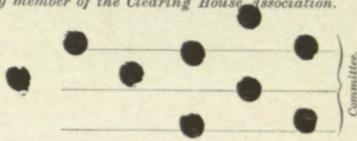
SAN FRANCISCO

1907

This Certifies that the has deposited with this Committee securities in accordance with the proceedings of a Meeting of the Association held October 28, 1907, upon which this Certificate is issued. This Certificate will be received in payment of balances at the Clearing House for the sum of Twenty Thousand Dollars from any member of the Clearing House Association.

On the surrender of this Certificate by the depositing bank above named, the Committee will endorse the amount as a payment on the obligation of said bank held by them, and surrender a proportionate share of the collateral securities held therefor.

\$20,000



SAVANNAH CLEARING ASSOCIATION

No. 5501 1

SERIES 1 A SAVANNAH, GA.

This Certifies That the Banks comprising the SAVANNAH CLEARING ASSOCIATION have deposited with F. D. B. [unclear], Mills B. Lane, M. A. O'Byrne, W. W. Osborne and W. F. McCauley, Trustees of said Clearing Association securities to the value of ONE DOLLAR and FIFTY CENTS, to secure to the bearer hereof the payment of the sum of

ONE DOLLAR

in lawful money of the United States, payable on demand on the First day of March, 1908. This Certificate is issued in accordance with the proceedings of a meeting of the said Association held on the Fourth day of November, 1907, and will be received on Deposit or payment of debts due any Bank in said Clearing Association.

FOR TRUSTEES.

No. 97 **\$10,000.00**

LOAN COMMITTEE
OF THE
SEATTLE CLEARING HOUSE ASSOCIATION

Seattle, 1907

\$10,000.00

THIS CERTIFIES that the _____ has deposited with this Committee securities in accordance with the proceedings of a meeting of the Association held November 4, 1907, upon which this certificate is issued. This Certificate will be received in payment of balances at the Clearing House for the sum of **TEN THOUSAND** Dollars from any member of the Clearing House Association.

On the surrender of this certificate by the depositing bank above named, the committee will endorse the amount as a payment on the obligation of said bank held by them, and surrender a proportionate share of the collateral securities held therefor.

COMMITTEE

\$10,000.00

A CERTIFICATE NUMBER
1178

ON OR BEFORE APRIL 1st 1908
SEATTLE CLEARING HOUSE ASSOCIATION
WILL PAY TO THE BEARER HEREOF
THE SUM OF

ONE DOLLAR

This obligation will be accepted at par on deposit by any of the Seattle Clearing House Banks.

NOT GOOD UNLESS COUNTERSIGNED BY

J. J. Swans *E. P. Andrews*

REGISTRAR CHAIRMAN CLEARING HOUSE COMMITTEE

Clearing House Loan Certificates

SAVANNAH, GA.

Clearing House checks issued in Savannah were stated on their face to be payable on or before March 1st, 1908, about four months from the date of issue.

SEATTLE, WASH.

As indicative of the character of the business of Seattle, it was especially mentioned in the set of resolutions passed by the Association authorizing the issue of certificates and checks, that on drafts fully secured by lumber, wheat and canned fish, the Committee would issue checks to the extent of 75% of the face value of the collateral. The banks in that city had large balances in Chicago and New York, upon which, on account of the clogging of Inland Exchange of which I have already spoken, they were unable to secure cash. They, therefore, gave their checks against these balances to the Committee, and when they had been collected and placed to the credit of the Committee, said Committee issued checks against such collections to the full amount of the same.

Clearing House Loan Certificates

SIoux CITY, IOWA

Issued only Clearing House certificates which were due ninety days from their date, October 28th, 1907, and all were retired before maturity.

SOUTH BEND, IND.

A specimen is shown herewith of the South Bend Association check, which differs from other checks of the same character only in that it is payable to "Any Associated Bank, or Bearer."

No. 246

Sioux City Clearing House Association Certificate

\$1,000.00

SIOUX CITY, IOWA

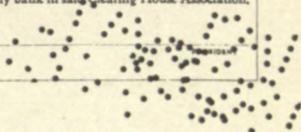
Na
This Certifies, That the Bank ~~composing~~ the Sioux City Clearing House Association have deposited with the Loan Committee of said Clearing House Association securities to the value of Twelve Hundred and Fifty Dollars (\$1,250.00), to secure to the bearer hereof the payment of the sum of One Thousand Dollars (\$1,000.00) in lawful money of the United States, payable on or before ninety days from date.

This certificate is issued in accordance with the proceedings of a meeting of said Association held on the 28th day of October, 1907, and will be received on deposit, or in payment of debts due any bank in said Clearing House Association.

ATTEST:

Dated October 28, 1907.

SECRETARY



THIS CHECK IS PAYABLE ONLY THROUGH SOUTH BEND CLEARING HOUSE AND MUST BE COLLECTED THROUGH A BANK.

No A
South Bend, Indiana, DEC 30 1907

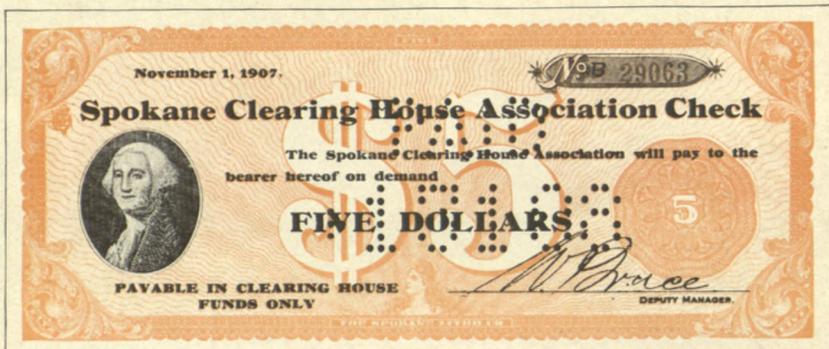
SOUTH BEND CLEARING HOUSE ASSOCIATION

Pay to ANY ASSOCIATED BANK or bearer \$ 100

ONE 100 Dollars

Wm. Campbell
W. S. Campbell
SECRETARY

THIS CHECK IS PROTECTED BY SECURITIES DEPOSITED WITH THE SOUTH BEND CLEARING HOUSE ASSOCIATION.



Clearing House Loan Certificates

SPOKANE, WASH.

By resolution, \$2,200,000 of these checks were issued, at Spokane, and they were distributed among the various Clearing House banks in proportion to their deposits.

TACOMA, WASH.

The Clearing House check here shown, one issued in Tacoma, contains no special features, but on its reverse side is the regular endorsement of the First National Bank, of Pasco, Wash., indicating that it had wandered away from Tacoma. There is no doubt that much of the temporary currency issued by the larger Clearing Houses of the West served as money for the time being in the smaller surrounding cities.

Clearing House Loan Certificates

TOPEKA, KAN.

The Banks of Topeka agreed to put up \$25,000 each in approved commercial paper, against which scrip to the extent of 75% of the collateral deposited should be issued. Only a total of \$42,000 was put out, however, and this was all retired by January 1st, 1908, having been in circulation only about two months. It will be seen that this check, according to the statement on its face, was payable in exchange, which meant that it would be paid with a check on some other city.

WICHITA, KAN.

Neither the Loan Certificates nor the Clearing House checks issued at Wichita contained any unusual features, and I show them merely in passing.

WHEELING, W. VA.

The certificates used at Wheeling, West Virginia (although no specimen is shown), bore no interest, but in lieu thereof were returned through the Clearing House on the day after receipt, with an exchange charge of ten cents each, added.

Dated November 6th 1907. No. 61525D

THE ASSOCIATED BANKS
OF THE
CITY OF TOPEKA

Pay to Bearer Two Dollars
in Exchange
Through Clearing House only

THE ASSOCIATED BANKS OF TOPEKA, KANSAS.

To *J. K. Leonard*
N. W. Starnes

CHAIRMAN
SECRETARY

Issued under the
provisions of resolution
of November 1907
secured by deposit
collected on bonds of
respective members of
The Associated Banks
of Topeka

2

Wichita Clearing House
ASSOCIATION

WICHITA, KANS.
NOV. 20, 1907.

Pay to Bearer **FIVE DOLLARS**

No. 49518

This Certificate
IS PROTECTED BY SECURITIES
DEPOSITED WITH THE WICHITA CLEAR-
ING HOUSE ASSOCIATION AND IS PAYABLE
ONLY THROUGH THE CLEARING
HOUSE

W. J. ...
SECRETARY

By *...*

FIVE FIVE

MEMBERS \$5,000.00

CLEARING HOUSE COMMITTEE
OF THE
WICHITA CLEARING HOUSE ASSOCIATION

No. 1000 Wichita, Kansas, _____ 1907

This Certifies, That the _____
has deposited with this committee securities in accordance with the proceedings of a meeting of the
Association held October 28th, 1907 upon which this certificate is issued. This certificate will be received
in payment of balances at the Clearing House for the sum of \$5,000.00 from any member of the Clearing
House Association or from any bank clearing through such member.

On the surrender of this certificate by the depositing
bank above named, the committee will endorse the amount
as a payment on the obligation of said bank, held by
them, and surrender a proportionate share of the collateral
securities held therefor.

FIVE THOUSAND DOLLARS

\$5,000.00

COMMITTEE

*- Void -
Stamps only*

Clearing House Loan Certificates

As stated, during the two or three days remaining in October, 1907, after the New York Clearing House Association had taken action, the Clearing Houses of the country, with practical unanimity, met and made provision at least for the issue of some form of instrument that would aid in relieving the existing conditions. A few clearing houses, prominent among which was the Association at Washington, D. C., found no occasion for action at all but quite generally provision was made so that in case of necessity there would be no delay in getting the machinery started and in a very large majority of cases, the situation was sufficiently trying to cause the immediate use of such Certificates. These instruments bore rates of interest varying from five per cent. to ten per cent., and in one instance, twelve per cent., and were issued for from fifty to eighty per cent. of the collateral deposited to secure them.

It is practically impossible to estimate the amount of these Certificates outstanding at any one time. Suffice it to say that in excess of two hundred and fifty millions of them, in the aggregate, were issued during the panic by the various clearing houses of the country. In addition thereto some of the railroads and a few of the larger industrial corporations issued checks of various denominations, which were used in making payment of wages to their employees during the period of extreme stringency, which checks passed current for the time being.

Taken as a whole, these instruments served well the purpose for which they were issued, and once again the utility of them as an emergency measure was demonstrated in a practical way, and on a scale the magnitude of which had never before been approached.

Clearing House Loan Certificates create an elasticity in the assets of banks. In times of financial stress what the banks require are assets that are readily convertible into cash, and which will pay depositors as well as afford a basis for the creation of new loans. At such times banks need expansion in the right direction and not contraction. In an address which I delivered at Columbia University,

Clearing House Loan Certificates

in December, 1907, in the midst of the panic, I stated I believed that in the adaptation of the Clearing House Loan Certificate we had a solution of the currency problem in this country, and the more study I have given to the subject the more I am convinced of the soundness of my contention. We do not need more fixed currency in this country, but we need flexibility in what we have to meet emergencies such as arose in 1907. Any currency issued in such an emergency should be promptly retired as soon as its usefulness has ceased.

In times of panic or extremely tight money the banks need something that will enable them to convert their fixed assets into liquid assets, without calling upon borrowers for payment of their loans, and with these new liquid assets furnish further credit to their customers. In such times the demands of occasional as well as all other borrowers upon the banks are very large. It is really the purpose of Clearing House Loan Certificates to allow the banks to take to the Clearing House their fixed assets and convert them into a medium of exchange between themselves, thus allowing the extension of further credit, which credit is utilized by their depositors through the Clearing House. Add to this function one more and we shall have all that is needed to meet any emergency that may arise, viz: A currency to take the place of that which is hoarded. The hoarding of money always accompanies panics. This feature was especially noticeable during the late panic, because the use of such a large volume of Clearing House Loan Certificates between the banks in settlement of balances served to drive currency out of circulation among the banks.

Panic always produces fright, not only among the public at large but also among the banks themselves, and if at such a time we could have a safe currency which would fill in the gap temporarily and thus allay that fear, we should have solved the problem, as far as the banks are concerned.

The reserve balances of the country banks are, as a rule, kept in the large money centres, and upon these centres

[Page 26]

Clearing House Loan Certificates

the out-of-town institutions depend for their excess requirements of currency. Besides the withdrawals from the money centres by the country banks, there is the hoarding of currency by the public, to which I have already alluded, which currency would ordinarily flow back and forth in the banks. This is especially the case as soon as the slight premium on currency which generally accompanies panicky conditions makes its appearance. This situation necessitates heavier withdrawals from the banks for pay rolls, and the conditions thus created are a serious menace to all the banking institutions of the country. If we could evolve a plan that would come quickly to the aid of such a situation, a great service would be rendered.

I have made a careful study of the currency payments of one large institution in this City, from October 26th, 1907, to January 4th, 1908, which was the acute period of the panic. During these seventy days, this institution paid out \$15,863,000 of currency. By currency I mean gold coin, silver and gold certificates, etc., etc. Of this amount, \$5,113,000 was shipped out of town to its correspondents, and \$10,750,000 was paid out over the counter. Of this latter amount \$6,360,000 was for pay rolls, and the balance, \$4,390,000 represented payments to Trust Companies, Savings Banks and the miscellaneous customers of the institution. I cite this as an illustration of the magnitude of the calls that are made upon the banks during times of panics, and the absolute necessity for some method of converting the fixed assets of our institutions into liquid assets.

In order to provide for this emergency currency which is so greatly needed at times, I would have the Clearing House in each of the Sub-Treasury cities, viz: Baltimore, Boston, Chicago, Cincinnati, New Orleans, New York, Philadelphia, St. Louis and San Francisco, incorporated, recognized by law and prepared to do business with the United States Government. I would have a United States Emergency Currency printed in large quantities and held under adequate safeguards at each of these Sub-Treasuries. I would permit the Treasurer of the United

Clearing House Loan Certificates

States, upon proper application, to receive Clearing House Loan Certificates of the Associated Banks in any of these cities, as collateral security, and advance 50% of the amount of such certificates deposited, in Emergency Circulation, to such Association. Such circulation should bear 6%, so that it would be retired at once when no longer required. This circulation would thus cost the banks 12%, as they would be obliged to pay 6% on the full face value of the Loan Certificates deposited with the Sub-Treasuries as collateral for the issuance of this kind of currency. The Clearing Houses in these Sub-Treasury cities could make rules and regulations for apportioning this currency among their members. I would have this United States Emergency Currency retired by the deposit of lawful money with the Treasurer of the United States, just as National Bank circulation is now retired. Experience has shown that this can be readily done, because after every panic through which this country has passed, there has been a great reaction and money has become extremely easy. There would, therefore, be no difficulty in the banks securing the funds necessary to redeem this currency.

It may be said that by confining the issue of Emergency Currency to Sub-Treasury cities, we would be legislating in favor of certain sections of the country, but I am sure that the banks in these sections would be better able to care for the needs of the country at large, than if we had one central bank in one city which would issue currency to its depositing banks throughout the country.

In this list of Sub-Treasury cities are included the three Central Reserve cities of the United States, viz: New York, Chicago and St. Louis. Of the two hundred and fifty million dollars of various instruments designed to temporarily take the place of cash, which I previously stated were issued during the panic of 1907, these three cities issued \$157,265,000, or more than 60% of the entire amount, while the amount issued by the nine Sub-Treasury cities was \$206,254,000, or more than 80% of the total of these instruments put out, which shows conclusively

Clearing House Loan Certificates

that if these cities were given the privilege referred to, the whole country would share in the benefits of the issues.

You can have no better collateral for a currency such as I have suggested than Clearing House Loan Certificates, issued under proper safeguards and carrying, as they do, the joint guarantee against loss of all the members of the Clearing House issuing the same. Of course, I am aware that this would mean a change in our laws, and the injecting into our currency of another kind of money, but it would be secure beyond peradventure, its retirement would be provided for promptly, and when outstanding in the hands of the public would be covered by ample collateral or by lawful money of the United States deposited against its retirement. I venture the prediction that the people of this country will never permit its circulating medium to be monopolized by one institution, no matter how good it may be, but they will always demand a circulating medium issued by the Government, or under careful governmental supervision and approval. This being the case, why not adapt ourselves to our present conditions, rather than endeavor to force upon the country a new set of laws, injecting into our banking system something entirely foreign to us.

This United States Emergency Currency which I have mentioned must be issued by the United States Government to be of service to the whole country. In considering this feature, we must remember that up to date the National Banks have had a monopoly of the note issuing power, and some provision should be made in times of stress and panic to take care of all the banking institutions of the country. As membership in our Clearing House Associations is not confined exclusively to National Banks, but includes State Banks and Trust Companies, in an Emergency Currency, as outlined by me, these institutions would all be benefited.

I would include in the act of incorporation of the Clearing Houses in the Sub-Treasury cities a provision that Clearing House Loan Certificates should be issued at such times as in the wisdom of the members of the association

Clearing House Loan Certificates

they were needed, and thus provide a flexible currency for crop moving periods or other times of monetary tightness. We must always bear in mind that an Emergency Currency of any kind, in order to be effective, must be quickly retired and cancelled, and must not be permitted to remain outstanding to cause the further inflation of our already too much inflated currency. By providing for its retirement by the deposit of lawful money another great safeguard would be thrown around it.

You will remember that during the last panic, the mercantile interests of this country stood like a rock, and there were very few failures. Of the collateral held against Clearing House Loan Certificates issued in this City during that period, including substitutions, the total of which was \$453,000,000, \$330,000,000, or 72.92% consisted of Commercial Paper, and \$123,000,000 or 27.08% was made up of stocks, bonds and short time railroad and other similar notes. This being the case, an Emergency Currency of the character I have mentioned would certainly seem to meet the requirements of the mercantile community.

In practical operation the scheme would work something like this: A merchant would borrow from his bank, say, \$200,000 on his single name paper. The bank would give him credit on its books for that amount, less the discount, upon which he would be at liberty to draw through the Clearing House. His bank could take this paper to the Clearing House and receive therefor Clearing House Loan Certificates to the amount of \$150,000, the New York Clearing House, for instance, requiring a margin of 33 $\frac{1}{3}$ % on its certificates. Upon notification by the merchant that he would need money for his pay rolls, his bank could provide for his wants in this respect by requesting the Clearing House Association to deposit the \$150,000 of certificates with the Sub-Treasury and receive therefor \$75,000 in Emergency Currency, which in turn could be handed to the merchant for his use. This same method could be pursued with all borrowers who needed assistance whether merchants or bankers.

In times of very active money, and in panicky periods,

Clearing House Loan Certificates

both bankers and merchants are willing to pay a higher rate of interest to take care of their obligations, but as soon as the stress and storm are over, and money returns to its customary channels, lawful money could be deposited with the Sub-Treasury and the Emergency Currency retired. In the meantime the merchant's collections would be made, his paper taken up at maturity, and the currency would thus have served the purpose for which it was created.

This would seem to me to provide a safe Emergency Circulation, having behind it, first: the credit of the individual institution and its collateral, as passed upon by a committee of bank officers, second: the fact that a large margin of collateral is required before the certificates are issued, third: the circumstance that the bank members of associations by which certificates are issued agree among themselves to assume their pro rata share of any losses that may occur through their issuance, which practically means that all the assets of all the bank members of the Clearing House Association are pledged to the payment of the certificates it issues, fourth: the fact that the Government is asked to advance only 50% of the face value of these certificates, and fifth: the certainty of the prompt retirement of the Emergency Currency with lawful money of the United States.