The World's *principal* Monetary Systems

COMPLIMENTS OF

MISSISSIPPI VALLEY TRUST COMPANY

ST. LOUIS

The Bank of North America
(National Bank)

Philadelphia

ONE HUNDRED AND THIRTY-ONE CONSECUTIVE YEARS of efficient service rendered its pa-
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		...vided Profits -	2,726,298.17
Clearing House Exchanges - -	978,600.92	Circulation - -	494,900.00
Cash and Reserve -	3,072,341.02	Deposits - - -	15,033,051.69
Total - -	$19,254,249.86	Total - -	$19,254,249.86

Officers

H. G. MICHENER, President

S. D. JORDAN, Cashier

R. S. McKINLEY, Asst. Cash.

W. J. MURPHY, Asst. Cash.

C. M. PRINCE, Asst. Cash.

United States Mortgage & Trust Company

NEW YORK

B'way at 73d St. 55 Cedar St. 125th St. at 8th Ave.

Capital & Surplus,	**$6,000,000**
Total Resources, -	**$76,000,000**

Officers

John W. Platten,	President
Calvert Brewer,	Vice-President
Carl G. Rasmus,	Vice-President
Frank J. Parsons,	Vice-President
Joseph Adams,	Treasurer
Alexander Phillips,	Secretary
Henry L. Servoss,	Asst. Treasurer
T. W. B. Middleton,	Asst. Secretary
Victor Ehrlicher,	Asst. Secretary
Harry W. Hadley,	Asst. Treasurer
Chauncey H. Murphey,	Asst. Treasurer
William T. Law,	Asst. Secretary

Directors

CHARLES S. BROWN, Douglas Robinson-Charles S. Brown Company . . . . New York

BURNS D. CALDWELL, President Wells Fargo & Company . . . . New York

JAMES G. CANNON, President Fourth National Bank . . . . New York

LEWIS L. CLARKE, President American Ex. National Bank . . . . New York

THOMAS DEWITT CUYLER, President Commercial Trust Company . . . . . . Philadelphia

CHARLES D. DICKEY, . Brown Brothers & Company . . . . New York

ALLEN B. FORBES, Harris, Forbes & Co., New York

ROBERT A. GRANNISS . . . New York

HENRY R. ICKELHEIMER . . Heidelbach, Ickelheimer & Company. . . . . New York

WILLIAM A. JAMISON, Arbuckle Bros., New York

LOUIS C. KRAUTHOFF . . . Counsellor-at-Law . . . . New York

JULIUS KRUTTSCHNITT . . . Director of Maintenance and Operation, Union and Southern Pacific Systems . . . . New York

ADOLPH LEWISOHN, . . Adolph Lewisohn & Sons . . . . New York

ROBERT OLYPHANT . . . . New York

JOHN W. PLATTEN . President of the Company

MORTIMER L. SCHIFF . . . Kuhn, Loeb & Company . . . . New York

HENRY TATNALL, Vice-President Penn. R. R. Company . . . . Philadelphia

EBEN B. THOMAS, President Lehigh Valley R. R. Company . . . . New York

JAMES TIMPSON, Second Vice-Prest. and Financial Mgr. The Mutual Life Insurance Company New York

GUY E. TRIPP, Chairman of the Board Westinghouse Electric and Manufacturing Company . New York

ARTHUR TURNBULL, Post & Flagg . New York

CORNELIUS VANDERBILT . . New York

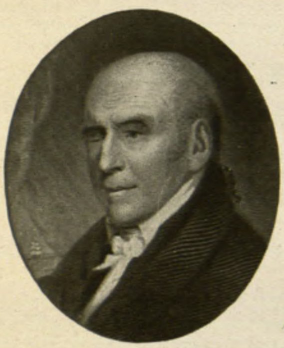
PAUL M. WARBURG, Kuhn, Loeb & Co., New York

GEORGE G. WARD, First Vice-Prest. Commercial Cable Company . . . . New York

Member N. Y. Clearing House Association

The Girard National Bank

Philadelphia



Stephen Girard
Born 1750 Died 1831

ONE HUNDRED YEARS AGO, in 1812, Stephen Girard, who was the most eminent merchant and the wealthiest man in the United States, established *Stephen Girard's Banking House*, on Third Street, in Philadelphia, in the elegant building erected and occupied from 1795 to 1811 by the first BANK OF THE UNITED STATES. George Simpson, who for seventeen years was cashier of the Bank of the United States, was Mr. Girard's first cashier. Mr. Girard's death occurred in December 1831. Shortly thereafter in 1832, a number of Philadelphia's most prominent citizens organized The Girard Bank, taking over the magnificent building and occupying it from that day to this. It became THE GIRARD NATIONAL BANK in 1864, and its success can be attributed to the service it renders its patrons.

Capital	**$2,000,000**
Surplus and Profits	**4,700,000**
Deposits	**42,000,000**
Resources	**51,000,000**

QUIETLY but surely, in the last few years, Chicago has been acquiring approximately the same relation to the Western and Northwestern sections of the country that London bears toward the trade of the British empire. The money of the western half of this continent is employed in commerce, founded on a vast and growing agriculture. It is not used in speculative ventures but is at the call of all legitimate enterprises in developing new areas and new markets. To all this extraordinarily rich, though still young territory, the banking power of Chicago supplies strength and vitality, and will continue to do so, keeping in the lead of the growth of populations and industries. ¶ The vista is so broad, so far reaching and so full of growing influence that few of those most actively concerned realize what it means now, much less what it means to the future of a country whose advance in wealth and power is one of the wonders of history.

REPRODUCED FROM A RECENT PUBLISHED STATEMENT OF

THE NATIONAL BANK OF THE REPUBLIC OF CHICAGO

OFFICERS

JOHN A. LYNCH	President
W. T. FENTON	Vice-President
R. M. McKINNEY	Cashier
O. H. SWAN	Asst. Cashier
JAMES M. HURST	Asst. Cashier
WM. B. LAVINA	Asst. Cashier
W. S. BISHOP	Asst. Cashier

The World's principal Monetary Systems

A concise review of the monetary systems of the leading nations of the world, illustrating the fundamental differences between the various systems. With a copy of the charter of the Second Bank of the United States, and a discussion of the Monetary Commission bill now before Congress.

By MAURICE L. MUHLEMAN

American Bankers' Association
Year-Book 1912

Published by
The Banking Law Journal
27 Thames Street, New York
1912

THE BANK OF COMMERCE

NATIONAL ASSOCIATION
CLEVELAND

ORGANIZED IN 1899. HAVING A CAPITAL, SURPLUS AND PROFITS OF THREE MILLION SEVEN HUNDRED THOUSAND DOLLARS, AND RESOURCES OF TWENTY MILLION DOLLARS, IT IS THOROUGHLY EQUIPPED FOR TRANSACTING ALL BRANCHES OF LEGITIMATE BANKING, AND CORDIALLY INVITES CORRESPONDENCE WITH OUT-OF-TOWN BANKS, TRUST COMPANIES, CORPORATIONS AND FIRMS, REQUIRING A CLEVELAND CONNECTION, CONFIDENTLY BELIEVING IT CAN RENDER SERVICE THAT WILL MERIT THEIR PATRONAGE. ITS DIRECTORATE IS COMPOSED OF SOME OF CLEVELAND'S MOST REPRESENTATIVE BANKERS AND BUSINESS MEN; AN ASSURANCE OF A FAITHFUL PERFORMANCE OF ALL TRUSTS.

THE Comptroller of the Currency has assigned to the First National Bank of Cleveland the number seven, its original charter number, which designates this institution as one of the oldest national banks in the country. It has had an uninterrupted period of healthy, permanent growth since its organization in 1863, from which it is safe to conclude that the service rendered to its customers has been agreeable and satisfactory. With a capital and surplus of more than $4,000,000, and total resources of $36,000,000, it is prepared to grant such accommodation as may be warranted by the standing and responsibility of the depositor.

FIRST NATIONAL BANK BUILDING

MILWAUKEE, WIS.

FUTURE HOME OF

THE FIRST NATIONAL BANK

OF MILWAUKEE

FIRST SAVINGS & TRUST COMPANY


CORN EXCHANGE
NATIONAL BANK
PHILADELPHIA
Test its facilities

ORGANIZED 1850

MARINE NATIONAL BANK

BUFFALO, N. Y.

Capital	Paid in	$ 500,000.00	
	Earned	1,500,000.00	$ 2,000,000.00
Surplus and Profits (Earned)			1,500,000.00
Total Assets (Over)			36,000,000.00

The oldest bank of discount in Buffalo and the largest in the State outside of New York City.

THE MARINE NATIONAL BANK OF BUFFALO
MARINE BANK OF BUFFALO
1850
1902

OFFICERS

STEPHEN M. CLEMENT, President
JOHN J. ALBRIGHT, Vice-President
JOHN H. LASCELLES, Vice-President
CLIFFORD HUBBELL, Cashier
HENRY J. AUER, Assistant Cashier
NORMAN P. CLEMENT, Assistant Cashier
MERLE H. DENISON, Assistant Cashier

DIRECTORS

JOHN J. ALBRIGHT
STEPHEN M. CLEMENT
WALTER P. COOKE
WILLIAM H. GRATWICK
A. C. GOODYEAR
EDMUND HAYES
WILLIAM H. HOTCHKISS
CLIFFORD HUBBELL
E. H. HUTCHINSON
GEORGE B. MATHEWS
CHARLES H. KEEP
HUGH KENNEDY
JOHN H. LASCELLES
WILLIAM A. ROGERS

This Bank solicits the accounts of banks, corporations, firms, and individuals. Every effort is made by courteous personal attention to give customers the most prompt and efficient service

CORRESPONDENCE INVITED

Fort Dearborn National Bank

Fort Dearborn Trust and Savings Bank

United States Depositary — Security and Conservatism

Capital	**$2,000,000.00**
Surplus and Profits	**600,000.00**
Deposits	**28,000,000.00**

OFFICERS

WM. A. TILDEN	President
NELSON N. LAMPERT . .	Vice-President
J. FLETCHER FARRELL .	Vice-President
HENRY R. KENT	Cashier
GEORGE H. WILSON . . .	Asst. Cashier
CHARLES FERNALD . . .	Asst. Cashier
THOMAS E. NEWCOMER .	Asst. Cashier
WM. W. LE GROS	Asst. Cashier
HARRY LAWTON . .	Mgr. Foreign Dept.

Comparative Showing of Deposits

February 14, 1908	$9,887,954.84
February 5, 1909	11,617,691.24
March 29, 1910	15,041,357.21
March 7, 1911	21,574,956.79
June 7, 1911	23,137,746.88
September 1, 1911	24,500,075.82
December 5, 1911	25,445,199.89
February 20, 1912	26,207,446.32
April 18, 1912	27,287,752.30
June 14, 1912	28,433,836.35

Three per cent. interest on savings accounts.

Deposits made on or before the tenth of each month bear interest from the first.

The officers of the Fort Dearborn Trust and Savings Bank offer their services to clients who are seeking choice **high grade bonds** and seasoned securities.

Acts as Administrator, Executor, Guardian, Conservator, Assignee, Receiver, Transfer Agent and Registrar.

In fiduciary capacity as agent makes investments, collections and disbursements.

OFFICERS

WM. A. TILDEN	President
NELSON N. LAMPERT . .	Vice-President
JOHN E. SHEA	Cashier
CHAS. A. TILDEN	Asst. Cashier
STANLEY G. MILLER . .	Mgr. Bond Dept.
E. C. GLENNY . .	Secy. and Trust Officer

SAFE DEPOSIT VAULTS

HERBERT C. ROER, Manager

We invite the accounts of Banks, Individuals, Corporations and Firms who appreciate banking efficiency. Personal and Courteous attention

MONROE AND CLARK STREETS

Capital, $2,000,000.00

Surplus, $2,000,000.00

Deposits, $35,000,000.00

3rd NATIONAL BANK OF ST. LOUIS

C. H. Huttig,	*President*
F. O. Watts,	*Vice-Prest.*
Thos. Wright,	*Vice-Prest.*
R. S. Hawes,	*Vice-Prest.*
G. W. Galbreath,	*Vice-Prest.*

J. R. Cooke,	*Cashier*
D'A. P. Cooke,	*Assistant Cashier*
H. Haill,	*Assistant Cashier*
E. C. Stuart,	*Assistant Cashier*

First National Bank

Minneapolis, Minnesota

Capital - -	$2,000,000.00
Surplus and Profits	2,500,000.00
Deposits - -	23,000,000.00

Officers

F. M. PRINCE	President
C. T. JAFFRAY	Vice-President
A. A. CRANE	Vice-President
GEO. F. ORDE	Vice-President
D. MACKERCHAR	Vice-President
H. A. WILLOUGHBY	Cashier
G. A. LYON	Assistant Cashier
P. J. LEEMAN	Assistant Cashier

Established 1864

ORGANIZED 1903

UNION EXCHANGE NATIONAL BANK of NEW YORK

5th AVE. & 21st ST.

Capital and Surplus
$2,000,000

Total Resources
$14,000,000

HENRY S. HERRMAN
President

DAVID NEVIUS
Vice-President and Cashier

LOUIS J. WEIL
Vice-President

GEO. B. CONNLEY
Asst. Cashier

¶ Located in the heart of the new textile manufacturing district, and many of our clients being manufacturers and merchants whose business extends throughout the country, we receive a large amount of out-of-town checks. ¶ Banks that can handle to advantage the items payable in their locality are invited to correspond with us.

MEMBER NEW YORK CLEARING HOUSE

UNION NATIONAL BANK

PHILADELPHIA

W. H. Carpenter
President

T. H. Conderman
Vice-President

Louis N. Spielberger
Cashier

John W. Mink
Asst. Cashier

Capital
$500,000

Surplus
$650,000

Undivided Profits
$90,000

Deposits
$6,500,000

ACCOUNTS OF BANKS, BANKERS, CORPORATIONS AND INDIVIDUALS SOLICITED

Merchants National Bank, Burlington, Iowa

Capital, - -	**$100,000.00**
Surplus and Profits,	**140,000.00**

Officers

J. L. Edwards	President
W. E. Blake . . .	Vice-President
James Moir . . .	Vice-President
Alex. Moir . . .	Vice-President
H. J. Hungerford	Cashier
F. L. Houke . . .	Ass't Cashier
C. L. Fulton . . .	Ass't Cashier

Directors

W. E. Blake, Chairman

H. A. Brown	W. W. Copeland
James Moir	Alex. Moir
W. C. Tubbs	N. S. Young
T. W. Barhydt	J. L. Edwards

The Chase National Bank

of the City of New York

UNITED STATES DEPOSITORY

(Clearing House Building)

Capital - - -	$ 5,000,000
Surplus and Profits (Earned)	9,100,913
Deposits - - -	128,700,251

A. BARTON HEPBURN, CHAIRMAN

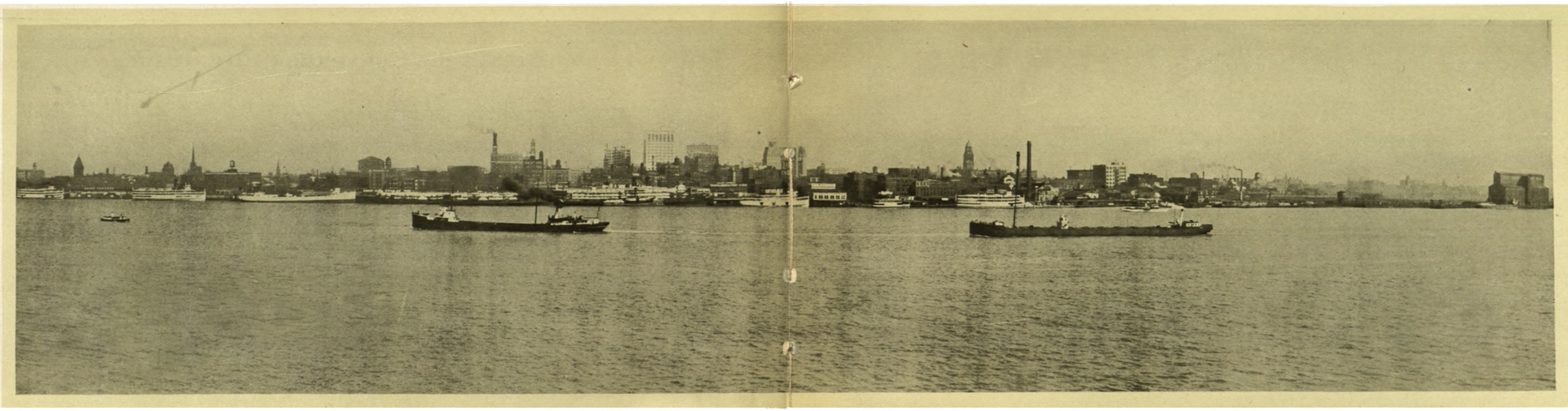
ALBERT H. WIGGIN, PRESIDENT
SAMUEL H. MILLER, VICE PRESIDENT
HENRY M. CONKEY, CASHIER
EDWIN A. LEE, ASST. CASHIER
CHARLES C. SLADE, ASST. CASHIER
WILLIAM E. PURDY, ASST. CASHIER
ALFRED C. ANDREWS, ASST. CASHIER

DIRECTORS

HENRY W. CANNON
JAMES J. HILL
GRANT B. SCHLEY
A. BARTON HEPBURN
JOHN I. WATERBURY
GEORGE F. BAKER
ALBERT H. WIGGIN
GEORGE F. BAKER, JR.
FRANCIS L. HINE

We receive accounts of Banks, Bankers, Corporations, Firms and Individuals on favorable terms, and shall be pleased to meet or correspond with those who contemplate making changes or opening new accounts

Foreign Exchange Department



DETROIT SKY LINE. VIEW FROM WINDSOR, CANADA

DETROIT is one of the most ideal convention cities in the United States, owing to its many natural attractions, its many excellent hotels, and its hospitable people.

It is a city of varied industries, having a greater variety and a larger number of manufacturing establishments than any city of its size in this country. Sixty per cent. of all the automobiles manufactured in the United States are made in Detroit. Ninety-five per cent. of all the adding machines made in this country are made in Detroit, it being the home of the Burroughs Adding Machine. And it is also in the lead in a number of other important manufactories.

DETROIT'S BANKING INTERESTS

Detroit has eighteen incorporated banking institutions. Three National banks, five State banks, three Trust companies and seven Savings banks, with a total capital and surplus of $22,000,000, total deposits of about $160,000,000 and total resources of about $188,000,000.

There are 521 incorporated banks in Michigan, but Detroit has one third of all the capital, one third of all the savings deposits and nearly two thirds of the total deposits in the State. Detroit is a reserve city. Its total clearings for 1911 were $968,647,059.

Hotel Pontchartrain, Convention Headquarters

DETROIT'S BUSINESS DISTRICT

THE FIRST NATIONAL BANK
OF DETROIT.

PENINSULAR STATE BANK

of DETROIT, MICHIGAN

Capital	$800,000
Surplus Fund . . .	$300,000
Deposits . . .	$10,500,000
Total Resources .	$11,600,000

OFFICERS

J. H. JOHNSON
PRESIDENT

FRANK P. BYRNE
VICE-PRESIDENT

FRANK W. HUBBARD
VICE-PRESIDENT

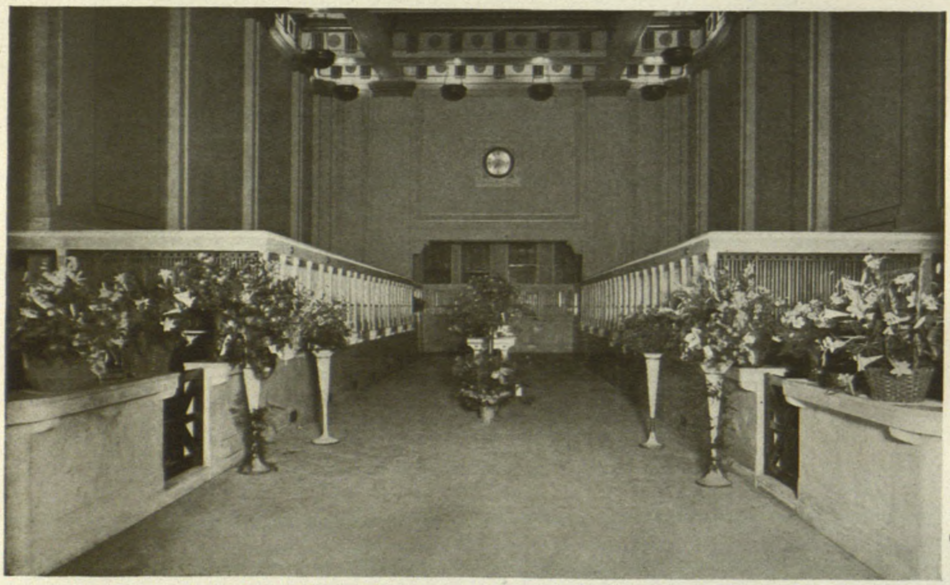
W. G. TOEPEL
CASHIER

H. H. ELLERTON
ASSISTANT CASHIER

H. MOXON
ASSISTANT CASHIER

F. F. FLEMING
ASSISTANT CASHIER

W. J. NESBITT
ASSISTANT CASHIER



MAIN BANKING ROOM. OPENING DAY.

PEOPLES STATE BANK, DETROIT, MICH.

Union Trust Company Building

UNION TRUST COMPANY

DETROIT, MICH.

Capital $1,000,000. Surplus and Undivided Profits $500,000.

OFFICERS

HENRY B. LEDYARD, Chairman
GEORGE HENDRIE, Vice-President
GERALD J. McMECHAN, Vice-Pres. and Sec.
FRANK W. BLAIR, President
A. E. F. WHITE, Vice-President
CHARLES R. DUNN, Vice-President and Treasurer.

TABLE OF CONTENTS

Capital $1,000,000 Surplus $2,000,000 Profits $707,315.70

The Liberty National Bank of New York

139 Broadway, near Liberty Street

The high standing of the men composing the Board of Directors of this Bank is a guarantee of its strength and ability to respond to every reasonable demand that can be made upon it.

DIRECTORS

Union N. Bethell
Vice-Pres. American Tel. and Tel. Co.

Newcomb Carlton
Vice-Pres. Western Union Tel. Co.

George B. Case
White & Case

Edmund C. Converse
President Bankers Trust Co.

Otis H. Cutler
Pres. American Brake Shoe and F'dry Co.

Henry P. Davison
J. P. Morgan & Co.

Zoheth S. Freeman
Vice-President

Samuel L. Fuller
Kissel, Kinnicutt & Co.

Thomas A. Gillespie
President The T. A. Gillespie Co.

Francis L. Hine
Pres. First National Bank, New York

Edward E. Loomis
Vice-Pres. Del. Lack. and West. R. R. Co.

Arthur F. Luke
Luke, Banks & Weeks

Howard W. Maxwell
Vice-Pres. Atlas Portland Cement Co.

Ambrose Monell
President International Nickel Co.

Daniel E. Pomeroy
Vice-Pres. Bankers Trust Co.

Seward Prosser
President

Daniel G. Reid
Chair. Board Direc., Rock Island System

Charles W. Riecks
Vice-President and Cashier

Charles H. Sabin
Vice-President Guaranty Trust Co.

Frederick B. Schenck
Chairman Board of Directors

Charles H. Stout
New York

Henry C. Tinker
New York

Charles H. Warren
Treasurer Mutual Life Insurance Co.

Albert H. Wiggin
President Chase National Bank

Mercantile Accounts Invited

FOREWORD

THE people of the United States today have before them the gravest problems which have arisen in a generation. Of these the money and banking question is regarded by many of our most thoughtful men as the paramount one. A plan for the solution of this problem has been presented by the National Monetary Commission, and is now before Congress and the people for discussion.

¶ It is imperative that this problem be solved correctly, because it involves the welfare of every citizen, since every citizen uses money and most of them use banks of one kind or another.

¶ Our money and banking system contains so many defects that it cannot perform the functions properly, and the result is that we have periodic disturbances that destroy values and bring distress to the mass of our people. Other people are not subject to the same conditions because they have money and banking systems which operate properly and serve all interests.

¶ It is obviously up to the bankers to see to it that the representatives of the people in Congress are guided to a correct solution of the problem; the bankers are supposed to know what is necessary.

¶ As a contribution to the study of the subject, the BANKING LAW JOURNAL has undertaken to present a concise account of the money systems of the principal civilized countries, in order that those who wish to learn how other people have solved the same or similar problems, may do so. A comparison of the means thus employed, and of the resulting experience, will unquestionably be useful in reaching a conclusion as to our own needs.

¶ It is proposed in this volume to show what we have had in the past, in the way of a monetary system, what we now have, and what is proposed for the future; discussing the proposed plans in the light of the past experience both here and abroad.

¶ Believing that the service thus tendered to bankers and others who want to know how to meet our problem intelligently, will be appreciated, the publishers of the JOURNAL submit this volume, confident that it will serve a useful purpose in the consideration of the subject.

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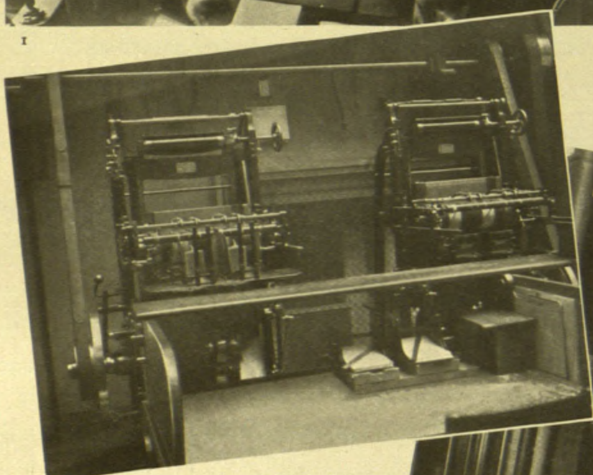

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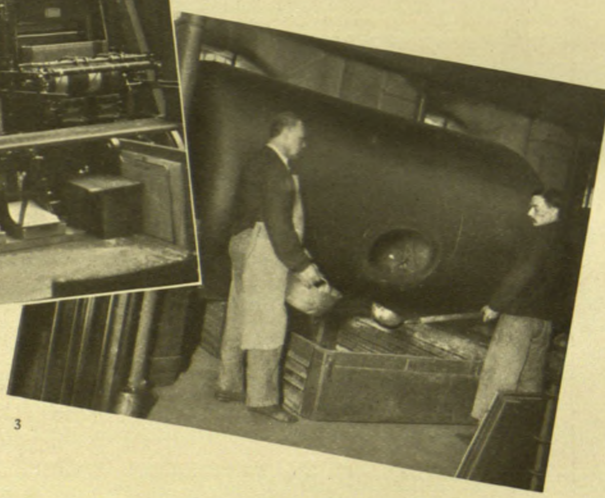
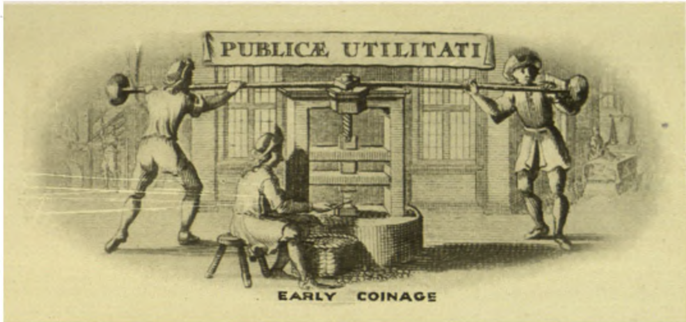


3

WHERE MONEY IS MADE AND WHERE IT IS DESTROYED IN THE BANK OF FRANCE.

1. WHERE THE NOTES ARE PRINTED. 2. CANCELING MACHINES.
3. WHERE THE NOTES ARE DESTROYED.



EARLY COINAGE

MONETARY SYSTEMS

A COMPREHENSIVE study of Monetary Systems must include consideration of all the means of payment employed; hence not only coin and paper-currency, but also checks—or more specifically deposit-currency—must receive attention.

Coins

Excluding the subsidiary and minor coins from present consideration, the coin systems of the world fall within one of the following classes:

1. Gold Standard.
2. Silver Standard.
3. Gold and Silver Standard, but without coinage of silver.
4. Gold Standard with Silver Currency.

Standard coins are those which are by law made legal tender in payment of debts without limitation of the amount.

Of class one the chief examples are Great Britain and Germany, where gold alone is standard money.

Of the second class China is the only important example; there gold is only merchandise.

In the third class are included the United States and France; both gold and silver coins are accepted as standard money.

In the fourth class Mexico and British India rank first; gold is the nominal standard but silver is the actual money, at fixed value to gold.

In considering coinage the ratio between gold and silver was formerly an important point; it cuts no figure today, since standard silver coinage is not important.

The fineness of gold coins as well as their weight, are essential features in determining value, because the grain (or gramme) of pure gold is the ultimate measure thereof, at an equivalent rating throughout the world.

1

2

3

NOTES OF THE SECOND BANK OF THE UNITED STATES
1. NOTE OF THE PARENT BANK, PHILADELPHIA. 2. NOTE OF THE NASHVILLE BRANCH.
3. NOTE OF THE NEW ORLEANS BRANCH.

Paper Currency

Generally speaking the paper money of the world may be divided into three classes:

1. Bank Notes.

2. Government Notes.

3. Certificates of deposit for coin.

The fundamental reason for note-issues is the need for supplementing the coin supply; when this purpose is adhered to, the use of notes is highly beneficial; when it is not observed within proper limitations, evil results usually follow.

The United States has all three forms; most countries have only the first. Bank notes are in most countries secured by reserves in coin, by law or practice. Government notes are not always amply protected by coin. Coin certificates are always fully covered.

Government notes are usually given full legal-tender power; bank notes possess that power in a few countries.

Deposit Currency

In this category savings banks' deposits are not included; only such deposits as are subject to check must be considered.

Legal provisions calling for reserves against deposits exist in the United States, Belgium, Austria-Hungary, and a few other countries.

In the other leading countries the practice is to hold reserves that are deemed adequate for protection.

The need for such safeguards is evident, since the confidence of depositors must be assured, to give the checks against deposits currency or debt-paying functions.

Reserve Requirements

Where reserve provisions exist, either pursuant to law or practice, and are consistently observed, the stability of the currency resting thereon is in large measure assured. Nevertheless conditions bearing upon this feature of monetary systems vary in different countries; and different methods are employed to bring about such stability.

Stability is impossible where inflation is not adequately curbed, and undue contraction is not properly prevented. The end to be attained is obviously to adjust the volume of supply of both paper currency and deposit currency to the demand. The rates for money here play an important role, and the less these fluctuate the better will business interests be served.

CONTINENTAL CURRENCY 1776

FACSIMILES OF CIRCULATING NOTES OF THE CONTINENTAL CONGRESS. NOTE THE SKELETON OF LEAVES ON THE BACK TO PREVENT COUNTERFEITING

Comparisons of Monetary Systems

Fundamental Conditions to be Considered

In making comparisons of the means employed by the nations of the world in the regulation of their monetary affairs, we must bear in mind those differences in fundamental conditions which make the problem of reform in the United States one that differs essentially from those now or formerly obtaining abroad.

First and foremost, the United States is a federated republic, in which 48 states are possessed of co-ordinate power in the field of banking legislation; hence there has grown up a system of numerous small independent banks, the like of which exists in no other country except Japan.

In almost every other important country branch banking prevails, and the people of every locality are thus well served, and probably much more economically than our individual bank system serves us.

It thus happens that in most countries a strong central bank with branches dominates the system; that other banks are usually largely capitalized and also operate through branches. Notable exceptions to this rule are Canada and Mexico, but solely in the particular that no one bank is legally constituted the dominant one; a number of banks with equal powers under the laws, make up the systems, although in each case one has become the leader because of preponderance.

It is further to be borne in mind that no country except Russia has anything like the area and population, and the diversified interests, that are found in the United States; and in the case of Russia this condition is not significant.

It is manifest that needs are as diverse as the conditions; vast regions still to be developed require a different kind of service from that which is called for in the settled and developed ones; agriculture's needs are not the same as those of industrial and commercial interests.

It is further to be considered that within the United States the practice of fixed reserves for banks is almost universally applied; this exerts a powerful influence upon conditions. In other countries the practice varies, but it is nowhere as rigid and as universally enforced as our laws contemplate.

An important result of the conditions adverted to is that in the United States interest or discount rates vary quite extensively, the variation being properly characterized as geographic and seasonal.

Another circumstance is that in the nature of things our multitude of banks (27,000) are in very large part conducted by men who are not by training or experience fully equal to the requirements of the business in the broader sense; in other countries where banks are few, the management is in the hands of men specially trained to the duties.

In the development of our system, such as it is, there has been a decided leaning toward preference to stock-market transactions, whereas in other countries commercial needs are given marked advantage. We have no organized market for commercial paper.

Finally we have as a handicap, conditions created by unwise legislation, both national and state, producing confusion and erratic results. Our paper currency is hence lacking in the chief essential to soundness, viz.: elasticity of volume; and our credit currency, represented by deposits in banks, is so inadequately regulated that proper adjustment to needs and conditions is impossible.

We have thus, at times, inflation far beyond reason; whereas in other countries the adjustment of supply to demand is so much more nearly achieved, that there is brought about a stability of enormous service to trade.

It may hence be said that soundness and stability are the chief objects to be attained; all other factors are simply contributory thereto. Erratic instability is the concentrated result of the co-operation of all the defects of our system; unsoundness is a necessary sequence. The correction thereof should hence be our aim in devising measures for the regeneration of the system. No plan which ignores this is worthy of attention.

It is to be added that since deposit-banking is not extensive in any of the leading foreign countries excepting Great Britain, Canada and Australasia, the problems which arose there related chiefly to currency issues, and the banking laws in those countries today deal particularly with that phase of the question.

In general it is essential to recognize the close correlation of the note-issuing and deposit-carrying functions, giving due weight to differentiations due to local conditions.

The foregoing comments furnish a basis for intelligent consideration of our problem and of the means proposed for its solution.

THE UNITED STATES MINT, PHILADELPHIA

UNITED STATES TREASURY, WASHINGTON

The System of the United States

Coin

THE coinage system of the United States dates from the law of 1792 which established bi-metallism at the ratio of 15 to 1; both gold and silver were made legal tender. For gold the British standard of .916 2-3 was adopted; for silver the fineness was .892.4. In 1834 the gold coins were changed in weight. In 1837 the silver dollar was changed in weight to 412½ grains and the ratio to gold altered to 15.988 (or nominally 16 to 1) and the fineness of coins changed to .900. The change in ratio was made to accord with the rest of the world which had adopted higher rates.

An act of 1873 omitted the silver dollar from the coinage without affecting its legal-tender quality. In 1878 its coinage was reinstated but in limited amounts. In 1890 the purchase of silver for coinage was increased, but repeated attempts to reach some international agreement on silver having failed, the acquisition of silver was stopped in 1893. The bullion has been coined into dollars, which now amount to $565,000,000.

In March 1900 an act was passed purporting to establish the gold standard, but it merely decreed the maintenance of parity between gold and silver and the silver dollar remains a coin with full legal-tender powers.

At present the standard is the theoretic gold dollar of 25.8 grains .900 fine, hence 23.22 grains of pure gold, which gives a value of $20.672 to the ounce of pure gold. The silver dollar weighs 412.5 grains, and is also .900 fine; the coinage rate for silver is thus $1.2929 per ounce fine; but silver is worth only 50 to 60 cents the ounce in the market.

Subsidiary silver is since 1853 coined at a rating about 7% below that of the standard silver dollar, and is legal tender to $10 only.

Paper Currency

During the Revolutionary War both the United States and the states (excepting New Hampshire and Georgia) issued "continental currency," or promises to pay, without any coin behind them wherewith to redeem the promises. In many states this currency was made legal tender, and to refuse it in payment was in some instances declared treason by law. Nevertheless, it was issued so freely that it depreciated quickly and violently; in all there was printed and circulated (omitting a mass of counterfeits) some $280,000,000. Finally its value fell to one cent on the dollar. It was unquestionably the worst currency the country ever had. In 1790 Congress passed an act offering to redeem this currency at the rate mentioned (one per cent. of its face) but it is not known how much was redeemed.

After the establishment of the Government under the Constitution (1789) the currency system had a checkered career. Beginning with notes of a few state banks prior to 1791, the United States provided for regulation by creating a central bank in that year. It served the purpose well, but as state banks increased the regulative system chafed them and when the charter of the United States bank came to an end in 1811 renewal was refused. This caused inflation of currency, a crisis and distress; in 1816 the second United States Bank was chartered, and in a few years it had the currency well regulated.

Again this proper regulation proved irksome to state banks, and the renewal of the charter, expiring in 1836, was refused; inflation again followed when regulation disappeared, and the crisis of 1837 was the result. Political exigencies defeated the carrying out of the people's mandate in 1840 to create another central bank, and for more than 20 years state banks furnished all the paper currency, the greater part of which was disgraceful, being depreciated and fluctuating violently in value, often proving absolutely worthless, because regulative reserve laws were, in general, absent. Periodic inflation and distressful results occurred.

The sub-treasury system under which the Government held its own revenues and kept its cash balances locked up, depriving the people of the use of the money, was created in 1840, perfected in 1846.

In the Civil War period the United States undertook nationalization of the currency; Government legal-tender notes were issued in 1862, national bank notes were provided in 1863–64; soon state bank notes disappeared entirely. Having no reserve behind them the Government notes depreciated, fluctuating seriously; the bank notes being redeemable in the "greenbacks" also depreciated. But in 1879 resumption of specie payments and the creation of a $100,000,000 gold reserve fund, brought them to par with gold.

For most of the period from 1836 to 1870 most of the currency of the people was as unstable as water, giving no assurance of value from day to day.

CONTINENTAL CURRENCY 1778

NOTES OF THE COLONY OF NEW YORK 1776

In 1864 the sub-treasury act was modified so as to enable the deposit of the Treasury balance in national banks, properly secured, thus making the money available to trade.

Under an act of 1863, repeated in 1882 and in 1900, gold certificates, and in 1878 silver certificates, were provided for. In 1890 a new form of Treasury note to be issued for silver purchases was authorized; about $155,000,000 were issued; these have since been almost entirely redeemed. In 1900 the gold reserve against greenbacks was increased to $150,000,000.

The national bank notes are based upon Government bonds; no reserve is held against them; yet no one doubts their soundness. The most far-reaching change in the original law was that which authorized small banks with minimum capital of $25,000 in 1900.

The direct money means hence consist of gold, silver dollars and greenbacks, all full legal tender; subsidiary silver of limited tender; gold and silver certificates, not legal tender but available for payment of all Government dues and for bank reserves; national bank notes, not legal tender but receivable by the Government for *internal*, taxes and by all banks; also available in many of the states for reserves of banks.

The volume of silver dollars and certificates and of greenbacks is now fixed by law; that of national bank notes is determined largely by the supply of bonds; gold (and gold certificates) alone may be increased without legal restrictions. It is noteworthy that the legislation of 1900 served to bring us gold so that the stock in the country increased (1897–1912) by $1,000,000,000. Bank notes also increased from $291,000,000 to about $700,000,000 under the influence of that law.

Deposit Currency

Prior to the Civil War the character of banking was largely currency-issuing; in more recent years deposit-banking became dominant. It was imagined that state banks deprived of note-issue powers (1865) could not thrive; hence they nearly disappeared. After 1874 a change took place and these banks are now far more numerous than the nationals. Still later trust companies assumed deposit-banking functions; and the combined business of these two classes of state institutions is today greater than that of the national banks.

Since the reserve regulation of deposit currency is an essential feature for safety and stability, the fact that the vast amount of this class of money-means is created under 48 different codes of laws, with equally variant reserve systems, absolutely prevents that uniformity which is necessary to a sound and stable currency.

Inflation is the periodic result, and this inflation of credit currency has been the main factor in producing the crises from which the people have suffered so severely.

Moreover the reserve laws, both national and state, encourage the deposit of a large part of the prescribed reserves of interior banks in the banks in the centers; this causes a congestion there, and incites improper stock speculation, to the detriment of ordinary commercial business. Hence when needs arise the interior banks are short in their means and the pressure for cash becomes acute. Thus come our periodic panics, when banks simply suspend cash payments, of course in violation of law, and substitute artificial currency of their own, (clearing-house certificates, etc.).

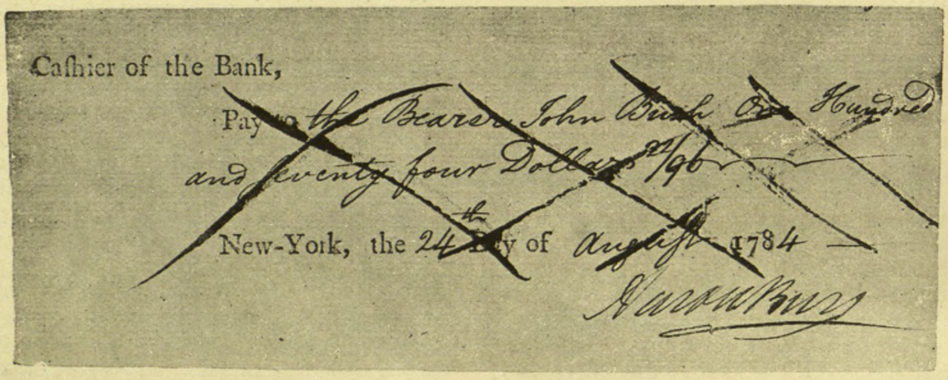
Discount Rates

The discount rates in the United States must be considered from two view-points: that for "call loans" generally secured by stock exchange collateral ranging from ½ per cent. per annum to ½ per cent. *per day*, or 182 per cent.; and that for commercial loans and discounts, ranging from 4 per cent. to 12 per cent. according to the distance from the financial centers. In no other country is there such a wide difference in normal periods, nor such a violent fluctuation in abnormal ones.

After the panic of 1907 legislation was enacted under which national banks may obtain currency from the Treasury by depositing commercial paper or securities and paying a tax of 6 per cent. This would enable them to continue discounting paper even in case of a crisis. The measure has not been availed of, and is concededly imperfect for the complete regeneration of the system. At the same time (1908) a monetary commission was created to study the subject and report adequate remedies. This report, filed January 1912, recognizes the many defects in the system.

The Monetary Commission

The Monetary Commission hence proposes a comprehensive reform under which the banks of the country, state and national, may form district associations and become federated in a National Association, through which they may at all times be able to obtain cash


Caſhier of the Bank,

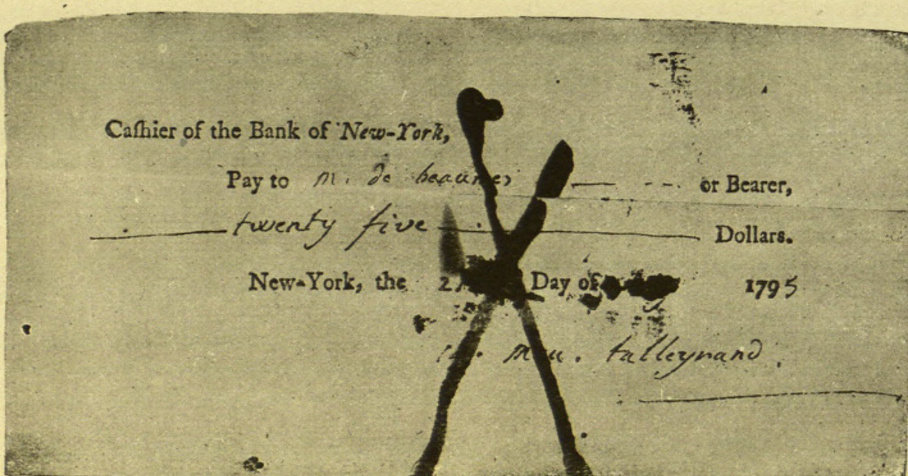
Pay to the Bearer John Burk One Hundred and seventy four Dollars 24/96

New-York, the 24th Day of August 1784

Aaron Burr

Courtesy of the Bank of New York, N. A.

CHECK OF AARON BURR, 1784


Caſhier of the Bank of *New-York*,

Pay to M. de beaumes —— or Bearer,

—— twenty five —— Dollars.

New-York, the 27 Day of 1795

Ch. Mau. talleyrand

Courtesy of the Bank of New York, N. A.

CHECK OF TALLEYRAND, 1795

upon commercial paper under certain regulations. It is in effect the creation of a central bank with certain limited powers. Thus its shares may be owned only by banks and it may do business only with banks and the Government, except as to international business, which is to be done mainly for the purpose of protecting the gold supply.

The purpose in view is to render impossible, hereafter, the country-wide suspension of cash payments by banks entirely solvent, in a period of panic or other disturbance.

Briefly stated the individual banks are to deposit cash reserve with the National Association; national banks are to surrender their note-issuing powers to the Association; it is to hold 50 per cent. reserves against deposits and notes, and to discount paper for the individual banks freely. It is also contemplated that it shall fix the discount rate from time to time, uniform throughout the land. To restrain note-issues a system of graduated taxing of notes is provided for, which may reach 5 per cent. or even 9 per cent. in certain contingencies. This, it is assumed, will furnish the restraint; but it is also provided, as a final safeguard, that when the reserves fall to 33⅓ per cent. all note-issuing shall cease until the reserve is restored.

Following this brief review of our monetary history, a discussion of details is in order.

Ante-Bellum Banking Systems

A critical examination of the Constitution of the United States justifies the view that the Federal Government has the sole power of regulating all matters relating to money.

Congress has the exclusive power to "coin money, regulate the value thereof and of foreign coin" and to "fix the standards of weights and measures" (Art. I, sec. 8, cl. 5); the states are prohibited from emitting "bills of credit" and making "anything but gold and silver a tender in payment of debts" (Art. I, sec. 10, cl. 1).

Hamilton, the first Secretary of the Treasury, accomplished the purpose by establishing the first Bank of the United States (1791), despite opposition of Jefferson and his party, who favored the state banking method. The plan worked out so admirably that Gallatin and many other Jeffersonians had to concede the wisdom of Hamilton. Yet the opposition succeeded in defeating the continuation of the Bank in 1811; then the state system proved its total inadequacy and the second Bank of the United States was chartered in 1816.

The constitutionality of the second charter was attacked, but the Supreme Court upheld it. Later the right of states to charter issue banks was questioned, but the Supreme Court refused to deny them that power. That decision brought vicious results.

A perusal of the history of state banking brings home to us the remarkable incapacity of the states to deal properly with the subject. Thousands of banks were chartered to issue notes in various ways, and only comparatively few, in the early days, were anything but barefaced swindling concerns, empowered to mulct the people, under apparent obedience to so-called banking laws.

The only explanation of the tolerance of the people of these conditions is found in the dire need for currency of some sort, in the rapidly developing new sections of the country. Anything that would pass was employed until the value depreciated to a small fraction on the dollar, or was lost entirely.

In many cases the people *did* resent the imposition; in the older states the laws were gradually improved; in some of the others the constitutions were amended to prohibit issue banks, and other measures were adopted; but the evil continued very largely until the state-bank currency was taxed out of existence by Congress in 1865–6; for while a considerable proportion of the notes were by that time really sound, there were millions of dollars of fluctuating value, some worth only 50 per cent. of their face.

In some of the states note-issues on the simple credit of the banks was permitted; in others securities had to be deposited. In some cases the amounts were limited to capital; in others the amount might be several times the capital. In most cases where credit-backing alone existed it proved useless; there was no compulsory redemption of notes actually enforced in most of the states. Capital was frequently not paid in with money. Securities deposited were frequently partly or wholly valueless.

In many cases the states endeavored to remedy matters by creating state-controlled banks, but few of these were successful. Of exceptional merit was the Indiana State Bank.

In Massachusetts leading banks established what was known as the "Suffolk Bank System," by which the banks themselves provided regulation which the law failed to give; they required banks to redeem their notes or take the consequences of being placed in default. It was the regulative principle applied to that section of the country and made New England currency sound and stable.

It is noteworthy that no actual reserve laws were passed anywhere until 1842, and Louisiana

Courtesy of the Girard National Bank

BUILDING ERECTED BY THE FIRST BANK OF THE UNITED STATES 1795
NOW THE HOME OF THE GIRARD NATIONAL BANK.
ONE OF PHILADELPHIA'S HISTORICAL SPOTS.

has the credit for this first law; and the results thereof were also creditable.

The Central Regulating Feature

The destruction of the central bank regulation was an economic blunder, attributable to President Jackson, who killed the second Bank of the United States (1836) despite the fact that committees in Congress, then dominated by his own party, showed conclusively that the Bank was furnishing the best possible currency system; indeed, the country has never had so sound and stable a system since.

But the wrong done the people by President Tyler was more grave; he refused to approve bills passed by Congress pursuant to the vote of the people in 1840 for the re-establishment of the system, although he had been elected upon a platform pledging such action.

The only step taken by the Federal Government was to protect its own cash, with which it would not trust the state banks after losing millions in the defaults of 1837; it provided the sub-treasury system, made its revenues payable in coin, and often had so much coin thus locked up that the banks could not get the cash for their reserves.

In order to show how the central regulation was provided for, the charter of the second bank of the United States is presented upon other pages. That of the first Bank was quite similar in form. It will be noted that the Government had a direct interest in the capital and the management.

The operations of the Bank were in general conducted for the benefit of the whole country. Its notes alone were receivable for Government dues, but it arranged to receive the notes of the state banks for such payments (which were for that time very large), at its branches all over the country, provided that the state banks kept the notes good; that is to say, redeemed them on demand and for that purpose kept some coin on hand. Some of the state banks rebelled against this; they wanted to redeem their promises to pay or not redeem them, as they pleased; but business judgment finally brought them around and so the currency became sound.

The Bank made it a special duty to issue notes freely in those sections of the country not supplied with banking facilities; thus, by far the greater part of its circulation was in the new South and West, and it helped to develop those regions as they were never helped before, and relatively speaking they have not had similar help since.

It did the Government's business free of charge, and regulated the foreign exchanges so as to protect the coin reserves. The appended statement of its condition in 1832, shows that had it been continued, with such changes in its charter as were found desirable, it would today be the greatest financial institution in the world; and it may safely be said that it would have provided us with a system under which the panics that destroyed thousands of millions of dollars of values would have been obviated.

A statement of the condition of the Bank of England of almost identical date, follows, amounts converted into dollars.

The banking power of the United States in 1832 was about $250,000,000; today it is nearly $20,000,000,000. The Bank of England in 1832 reported $220,000,000 of resources; today it reports $680,000,000. It is obvious that if the central-bank system here had developed with the country, our Bank would have been a larger and stronger institution than Great Britain's central bank.

Opinions of the Utility of the Bank of the United States

Richard Rush, *Secretary of the Treasury*, 1828. (Whig).

It is the preservation of a good currency that can alone impart stability to prosperity and prevent those fluctuations in its value, hurtful alike to individual and to national wealth. This advantage the Bank has secured to the community. The state banks following or controlled by its example have shaped their policy towards the same salutary ends, adding fresh demonstrations to the truth that under the mixed jurisdiction and powers of the state and national systems of government, a national bank is the instrument alone by which Congress can effectively regulate the currency of the Nation.

Senate Committee, 1829. (Democrat).

This seems to present a state of currency approaching as near to perfection as could be desired; for here is a currency issued at twenty-four different parts of the Union, obtainable by any citizen who has money or credit. It is not easy to imagine, it is scarcely necessary to desire, any currency better than this.

House Committee, 1830. (Democrat).

One of the most important purposes which the Bank was designed to accomplish, and which it is confidently believed no other human agency could have effected, under our federative system of government, was the enforcement of specie payments on the part of the numerous local banks, deriving their charters

BUILDING ERECTED BY THE SECOND BANK OF THE UNITED STATES IN 1823, WALL STREET, NEW YORK

SECOND BANK OF THE UNITED STATES, PHILADELPHIA

BUILDING ERECTED JOINTLY BY THE SECOND BANK OF THE UNITED STATES AND THE PHILADELPHIA BANK IN 1837.

from the several states, and whose paper, irredeemable in specie and illimitable in quantity, constituted the almost entire currency of the country. Their bills, in the respective spheres of their circulation are of equal value with gold and silver.

GALLATIN (*then president of a state bank*), 1830. (Democrat).

The general complaint on the part of many of the state banks that they are checked and controlled in their operations by the Bank of the United States is the best evidence that its general operation is such as had been intended. It was for this very purpose that the Bank was established. We are not aware, however, that a single solvent bank has been injured by that of the United States.

INGHAM, *Jackson's Secretary of Treasury*, 1832. (Democrat).

The Bank has purified one of the worst currencies that ever infested any country or people, has given us the best currency known among nations, equal with gold and silver in every part of the Union. It preserves a uniform value in the paper of the local banks, gives stability to the value of all property, to the incalculable benefit of commerce; maintains domestic exchanges at less premium than it would cost to transfer specie.

STATEMENT OF THE BANK OF THE UNITED STATES

MARCH 2, 1832

ASSETS

Bills discounted on—		
Personal security	$45,850,367.27	
Bank stock	620,766.14	
Other stocks	2,145,895.20	
	48,617,028.61	
Domestic bills of exchange	20,354,748.79	
		$68,971,777.40
Foreign bills of exchange		91,238.23
Due from—		
Bank United States and offices	29,288,810.19	
State banks	3,752,822.73	
		33,041,632.92
United States		5,267.32
Real estate		2,131,359.64
Deficiencies		122,973.18
Banking houses		1,163,691.92
Expenses		106,720.02
Cash, viz:		
Notes of bank United States	18,401,011.03	
Notes of state banks	2,836,900.40	
Specie	6,799,753.63	
		28,037,665.06
Mortgages		89,573.78
Navy agent, Norfolk		40,144.17
		$133,802,043.64

LIABILITIES

Capital stock		$35,000,000.00
Notes issued		42,118,452.13
Discount, exchange and interest		855,958.17
Foreign-exchange account		371,610.55
Due foreign bankers		1,876,802.39
Dividends unclaimed		166,432.73
Profit and loss		1,750,263.52
Contingent fund	$5,613,346.20	
Less losses chargeable to contingent fund	3,477,737.29	
		2,135,608.91
Due to—		
Bank United States and offices	28,461,352.88	
State banks	2,600,270.50	
		31,061,623.38
Fund for extinguishing cost of banking houses		551,292.05
Redemption of public debt		857,613.12
Deposits, viz:		
On account of Treasurer U. S.	6,781,114.55	
Less overdrafts and special deposits	260,976.99	
	6,520,137.56	
Of public officers	1,719,489.32	
Of individuals	8,816,759.81	
		17,056,386.69
		$133,802,043.64

NOTE.—The items due from the Bank and its offices, and notes on hand in cash, are in a sense duplications; so that the net total would be about $82,800,000.

STATEMENT OF THE BANK OF ENGLAND

FEBRUARY 29, 1832

ASSETS		LIABILITIES	
Advances to Government—Ordinary	$20,675,000	Capital	$72,765,000
—Special	54,489,000	Surplus	13,189,000
Discounts and loans	45,834,000	Notes	90,258,000
Government securities	73,434,000	Public deposits	15,993,000
Cash	26,465,000	Private deposits	28,692,000
Total	$220,897,000	Total	$220,897,000

DANIEL WEBSTER, 1836. (Whig).

It has reformed the currency, sustained it when reformed, and upheld a system of internal exchange, safe, cheap, and of unprecedented and unparalleled facility. No country has seen the like; nor shall we see it soon again when the operations of the Bank shall cease.

LINCOLN, 1839. (Whig).

We do not pretend that a national bank can establish and maintain a sound and uniform currency in the country in spite of the national government, but we do say that is has established and maintained such a currency, and can do so again, by the aid of that government; and we further say that no duty is more imperative on that government than the duty it owes the people of furnishing them a sound and uniform currency.

THE NATIONAL SYSTEM

The nationalization of our currency during the Civil War period was a wise policy poorly executed. The issue of United States legal-tender notes, without providing for redemption, was the worst feature; it was followed after the War by a repudiation of distinct pledges for their redemption. Thus the fluctuating, hence cheating, currency of the ante-bellum period was continued in another form until resumption in 1879. These "greenbacks" continue part of our currency today although clearly improper; they are rendered fairly safe by the $150,000,000 reserve fund, as the amount is limited by law to $346,616,000; nevertheless they constitute a possible menace to the stability of the system.

While the national bank system was largely created to help the Government sell its bonds, it has distinctly admirable features justifying its creation, in the absence of central bank regulation. It provided bank notes of uniform value, although they were also depreciated until 1879, being redeemable only in depreciated greenbacks. The bonds required to be deposited to secure notes assured their redemption in case of failure. But since the profit depends upon the price of Government bonds, note-issuing has never been in response to business needs; the system lacks elasticity; often more notes are issued when business needs are slack, and vice versa. The only sound theory of bank-note issues is that they shall come into existence as business needs arise, and be withdrawn when the needs pass. As our system does not so respond, it causes periodic inflation.

It was attempted to correct some defects in the legislation of 1900; small banks, with capital $25,000 were authorized for smaller communities; a 2 per cent. bond issue was provided for, but in a manner that has proved unsatisfactory. The net result has been to extend the national banking system—a good feature—and to inflate the currency—a bad one.

But as a banking instrumentality the national system is entitled to high credit; it embodies the best principles to govern the business yet devised for the country. The defects therein relate almost entirely to the reserve requirements. Thus the provision that "country" banks, by far the most numerous, must have 15 per cent. reserves but may have 9 per cent. in "reserve" banks; that reserve banks except those in the three chief centers must hold 25 per cent. but may have half thereof on deposit in the "central reserve" banks where 25 per cent. all in cash must be held, operates defectively.

On the one hand it tends to concentrate cash in the centers under conditions that make it imperative to loan the greater part in the speculative market; on the other hand by holding a rigid "dead line" on the banks, loaning is curtailed at the very times when it is needed most.

It thus happens that in case of stress many banks, entirely solvent, are compelled to suspend operations; unable to get their cash back from the centers without great pressure, resulting in a stock market "squeeze," and unable to use their unquestionable assets by way of rediscounts, as is done in Europe, they are tied up.

The practice, unauthorized by law, of using such assets with clearing-house associations to serve as backing for the issue of a quasi-currency (clearing-house certificates), suggested (1) the law of 1908, under which national banks may obtain currency from the Government on deposit of commercial paper and securities other than Government bonds; and (2) the Monetary Commission's plan already referred to.

If we can thus substitute for the present bank-notes, almost fixed in amount, an issue which will adapt itself as to volume to the changing needs; and if we regulate the reserve to be held by the central issuing institution so that instead of being rigid it will be sufficiently elastic to adapt itself to conditions; and if we thus make available an ample supply of currency to meet the call of all our banks; we shall have solved the problem before us. But there are still many features in the measure proposed for the solution that do not serve the end in view, hence the plan requires amendment.

Deposit-Currency

It is within the mark to say that this form of our money-means requires the closest attention in devising correctives for existing evils. The Comptroller of the Currency's reports indicate that the commercial deposits of the country have grown to $12,500,000,000; mutual savings banks' deposits aggregate $3,500,000,000 more; against all this vast liability the cash reserves are $1,451,000,000, or an average of a trifle over 9 per cent. When by reason of business expansion, proper and improper, the volume of these obligations expands without a corresponding increase in cash, the result under the existing system is certain to be disastrous, as was shown in 1907. In that year the deposits aggregated $13,100,000,000, and the cash $1,113,700,000, or only 8 per cent.

It is not contended that the reserve cash of the country is too slender if other conditions prevailed; but with 27,000 individual, and for the most part isolated, banks, it is not adequate for a crisis. Therefore the problem involves the utilization of the country's reserves so as to effectively protect the credit of the banks. This the reform plan proposes to do by concentrating a substantial part of the reserve gold and issuing the central institution's notes to double the amount of this gold, which notes are to be available for reserves, and in case of need the volume of notes may be expanded to three-fold the gold reserve.

But an equally important feature is that which contemplates that local banks' reserves shall be made uniform by legal regulation, instead of having 48 different regulative codes. Moreover, the central institution as the credit-extender to the individual banks, is to exercise a certain degree of supervision over them; this is calculated to restrain undue expansion of liabilities through the creation of loans beyond the proper commercial demands; it being, however, recognized in the plan that all such proper demands are to be met without question, as the prime function of the reformed system.

In order to accomplish the purpose in view it is obviously necessary to include in the regulation *all* banking institutions; for since those of them chartered by the states are at present preponderant, so far as their deposit functions go, the country would not be adequately served if more than half of the deposit-currency were outside the regulative influences designed to bring about uniformity.

Hence it is contemplated to extend the system proposed over all institutions, ignoring for the specific end in view all state lines and state laws; yet superseding the latter only in those particulars where necessary to accomplish the purpose. It is definitely set forth that there is to be no competition with individual banks, for business in any sense, on the part of the central institution.

A further purpose in view is the equalization of discount rates by empowering the central institution to fix a uniform rate. This may eventually be accomplished, but the extent of the country, the diversified interests, the unequal distribution of the supply of capital and banking facilities, will prevent the realization of this desirable end for some time.

The Monetary Commission Bill

In principle the bill of the Monetary Commission manifestly offers the correct solution to our problems. As it stands, it is, however, defective in these particulars:

1. It excludes thousands of small banks, which need its support as much as the larger ones.
2. It calls for too large capital contributions from the banks.
3. It does not permit sufficient participation to the Government, i. e. the people, in the management.
4. It does not adequately prevent undue expansion, the chief present danger.
5. It provides for fixing a uniform discount rate, which is impracticable.
6. It does not firmly place the central institution upon the gold basis.
7. It imposes an unreasonable burden upon the banks to retire the 2 per cent. bonds now held to secure note-issues.

A very important function not yet referred to is that of regulating the foreign exchanges, for which the central institution is given ample powers. This will result in affording adequate protection to our gold supply upon which the reserves, and hence the stability of the structure, depend.

If the plan is properly perfected it is quite certain that it will provide practically insurance to all solvent banks against suspension in panicky periods and enlarge their capacity for service in their communities; yet this may not constitute sufficient inducement to bring all the banks into the association.

Since, however, such a plan will unquestionably be of enormous service to the Nation, not merely to business, but to all the people, it is to be hoped that aside from altruistic, patriotic motives, there may be other inducements which will serve to assure its adoption when perfected.

It should be said that the practice of branch banking, so generally and successfully conducted in other countries, is out of the question here, as it would destroy the system of individual banks, which has come to stay.

BANKING STATISTICS, UNITED STATES

I. Deposits and Cash in All Banks, 1861–1911 (in Millions of Dollars)

	1861	1871	1881	1891	1901	1911
National Banks	—	602	1032	1535	2941	5478
State Banks	296	100*	261	557	1611	2778
Trust Companies	—	50*	112	355	1271	3296
Private Banks	150*	190*	242	95	119	142
All Commercial	446	942	1647	2542	5942	11694
Savings†	147	651	892	1655	2518	4212
Total	593	1593	2539	4197	8460	15906
Cash	90‡	194	295	479	795	1545
Per Cent. Cash	15.2‡	12.2	11.6	11.4	9.4	9.7

* No statistics; amounts estimated.

† Includes stock savings banks part of which are commercial deposits.

‡ This included cash reserves against notes also, hence the high ratio.

The decrease in the ratio of cash is quite marked.

II. Significant Features, in 1901 and 1911 (Amounts in Millions of Dollars)

These figures are from mid-year reports.

	1901				1911			
	State Banks	Trust Co.'s	National Banks	Totals	State Banks	Trust Co.'s	National Banks	Totals
Number	4,983	334	4,165	9,482	12,864	1,251	7,277	21,392
Capital	255	137	646	1,038	453	386	1,020	1,859
Deposits	1,611	1,271	2,942	4,824	2,778	3,296	5,478	11,552
Due Banks	115	8	1,207	1,330	145	319	2,147	2,611
Notes	...	...	319	319	...	...	682	682
Aggregates	2,161	1,615	5,676	9,452	3,748	4,665	10,383	18,796
Loans	1,184	940	2,957	5,081	2,439	2,429	5,611	10,479
Securities	242	396	876	1,514	315	1,115	1,753	3,183
Due from Banks	314	192	788	1,284	526	618	1,377	2,521
Cash	175	25	536	736	237	270	949	1,453

The increase in the trust companies' business is noteworthy.

BANKING STATISTICS, UNITED STATES — *Continued*

III. NATIONAL BANKS BY CLASSES, 1901 AND 1911 (AMOUNTS IN MILLIONS OF DOLLARS)

	July, 1901			June, 1911		
	Country Banks	Reserve Banks	Central Reserve	Country Banks	Reserve Banks	Central Reserve
Deposits	1,468	707	767	3,091	1,337	1,050
Due to Banks	127	446	634	242	856	1,049
Net Deposits*	1,523	1,006	1,081	3,160	1,849	1,680
Loans	1,315	797	845	2,776	1,496	1,339
Securities	476	212	188	1,014	406	333
Due from Banks	396	270	122	618	557	202
Cash	133	129	274	244	246	456
Resources, all	2,460	1,515	1,700	4,903	2,880	2,600
Cash to Net Deposits	8.7%	12.9%	25.4%	7.7%	13.3%	27.1%

* "Net Deposits" signifies deposits plus amounts due banks, less amounts due from banks (not reserve agents) and checks on other banks; this is the basis for the reserve calculation under the law.

Charter of the Second Bank of the United States

[Fourteenth Congress, first session, chapter 44. 1816.]

An act to incorporate the subscribers to the Bank of the United States.

A bank of the United States, with a capital of $35,000,000, etc.

Be it enacted by the Senate and House of Representatives of the United States of America, in Congress assembled, That a bank of the United States of America shall be established, with a capital of thirty-five millions of dollars, divided into three hundred and fifty thousand shares, of one hundred dollars each share. Seventy thousand shares, amounting to the sum of seven millions of dollars, part of the capital of the said bank, shall be subscribed and paid for by the United States, in the manner hereinafter specified; and two hundred and eighty thousand shares, amounting to the sum of twenty-eight millions of dollars, shall be subscribed and paid for by individuals, companies, or corporations, in the manner hereinafter specified.

Places, etc., for receiving subscriptions.

SEC. 2. *And be it further enacted,* That subscriptions for the sum of twenty-eight millions of dollars, towards constituting the capital of the said bank, shall be opened on the first Monday in July next, at the following places: that is to say, at Portland, in the District of Maine; at Portsmouth, in the State of New Hampshire; at Boston, in the State of Massachusetts; at Providence, in the State of Rhode Island; at Middletown, in the State of Connecticut; at Burlington, in the State of Vermont; at New York, in the State of New York; at New Brunswick, in the State of New Jersey; at Philadelphia, in the State of Pennsylvania; at Wilmington, in the State of Delaware; at Baltimore, in the State of Maryland; at Richmond, in the State of Virginia; at Lexington, in the State of Kentucky; at Cincinnati, in the State of Ohio; at Raleigh, in the State of North Carolina; at Nashville, in the State of Tennessee; at Charleston, in the State of South Carolina; at Augusta, in the State of Georgia, at New Orleans, in the State of Louisiana; and at Washington, in the district of Columbia. And the said subscriptions shall be opened under the superintendence of five commissioners at Philadelphia, and of three commissioners at each of the other places aforesaid, to be appointed by the President of the United States, who is hereby authorized to make such appointments, and shall continue open every day, from the time of opening the same, between the hours of ten o'clock in the forenoon and four o'clock in the afternoon, for the term of twenty days, exclusive of Sundays, when the same shall be closed, and immediately thereafter the commissioners, or any two of them, at the respective places aforesaid, shall cause two transcripts or copies of such subscriptions to be made, one of which they shall send to the Secretary of the Treasury, one they shall retain, and the original they shall transmit, within seven days from the closing of the subscriptions as aforesaid, to the commissioners at Philadelphia, aforesaid. And on the receipt of the said original subscriptions, or of either of the said copies thereof, if the original be lost, mislaid, or detained, the commissioners at Philadelphia aforesaid, or a majority of them, shall immediately thereafter convene, and proceed to take an account of the said subscriptions. And if more than the amount of twenty-eight millions of dollars shall have been subscribed, then the said last mentioned commissioners shall deduct the amount of such excess from the largest subscriptions, in such manner as that no subscription shall be reduced in amount, while any one remains larger: *Provided,* That if the subscriptions taken at either of the places aforesaid shall not exceed three thousand shares, there shall be no reduction of such subscriptions, nor shall, in any case, the subscriptions taken at either of the places aforesaid be reduced below that amount. And in case the aggregate

Places, etc., for receiving subscriptions, etc.

amount of the said subscriptions shall exceed twenty-eight millions of dollars, the said last mentioned commissioners, after having apportioned the same as aforesaid, shall cause lists of the said apportioned subscriptions, to be made out, including in each list the apportioned subscription for the place where the original subscription was made, one of which lists they shall transmit to the commissioners or one of them under whose superintendence such subscriptions were originally made, that the subscribers may thereby ascertain the number of shares to them respectively apportioned as aforesaid. And in case the aggregate amount of the said subscriptions made during the period aforesaid, at all the places aforesaid, shall not amount to twenty-eight millions of dollars, the subscriptions to complete the said sum shall be and remain open at Philadelphia aforesaid, under the superintendence of the commissioners appointed for that place, and the subscriptions may be then made by any individual, company, or corporation, for any number of shares not exceeding, in the whole, the amount required to complete the said sum of twenty-eight millions of dollars.

Regulations concerning subscriptions and payments on them, etc.

April 10, 1806, ch. 22.

SEC. 3. *And be it further enacted,* That it shall be lawful for any individual, company, corporation or state, when the subscriptions shall be opened as herein before directed, to subscribe for any number of shares of the capital of the said bank, not exceeding three thousand shares, and the sums so subscribed shall be payable, and paid, in the manner following; that is to say, seven millions of dollars thereof in gold or silver coin of the United States, or in gold coin of Spain, or the dominions of Spain, at the rate of one hundred cents for every twenty-eight grains and sixty hundredths of a grain of the actual weight thereof, or in other foreign gold or silver coin at the several rates prescribed by the first section of an act regulating the currency of foreign coins in the United States, passed tenth day of April, one thousand eight hundred and six, and twenty-one millions of dollars thereof in like gold or silver coin, or in the funded debt of the United States contracted at the time of the subscriptions respectively. And the payments made in the funded debt of the United States, shall be paid and received at the following rates: that is to say, the funded debt bearing an interest of six per centum per annum, at the nominal or par value thereof, the funded debt bearing an interest of three per centum per annum, at the rate of sixty-five dollars for every sum of one hundred dollars of the nominal amount thereof, and the funded debt bearing an interest of seven per centum per annum, at the rate of one hundred and six dollars and fifty-one cents, for every sum of one hundred dollars of the nominal amount thereof; together with the amount of the interest accrued on the said several denominations of funded debt, to be computed and allowed to the time of subscribing the same to the capital of the said bank as aforesaid. And the payments of the said subscriptions shall be made and completed by the subscribers, respectively, at the times and in the manner following; that is to say, at the time of subscribing there shall be paid five dollars on each share, in gold or silver coin as aforesaid, and twenty-five dollars more in coin as aforesaid, or in funded debt as aforesaid; at the expiration of six calendar months after the time of subscribing, there shall be paid the further sum of ten dollars on each share, in gold or silver coin as aforesaid, and twenty-five dollars more in coin as aforesaid, or in funded debt as aforesaid; at the expiration of twelve calendar months from the time of subscribing, there shall be paid the further sum of ten dollars on each share in gold or silver coin as aforesaid, and twenty-five dollars more, in coin as aforesaid, or in funded debt as aforesaid.

SEC. 4. *And be it further enacted,* That at the time of subscribing to the capital of the said bank as aforesaid, each and every subscriber shall deliver to the commissioners, at the place of subscribing, as well the amount of their subscriptions respectively in coin as aforesaid, as the certificates of funded debt, for the funded debt proportions of their respective subscriptions, together with a power of attorney, authorizing the said commissioners, or a majority of them, to transfer the said stock in due form of law to "the president, directors, and company of the bank of the United States," as soon as the said bank shall be organized. *Provided always,* That if, in consequence of the apportionment of the shares in the capital of the said bank among the subscribers, in the case, and in the manner, herein before provided, any subscriber shall have delivered to the commissioners, at the time of subscribing, a greater amount of gold or silver coin and funded debt than shall be necessary to complete the payments for the share or shares to such subscribers, apportioned as aforesaid, the commissioners shall only retain so much of the said gold or silver coin, and funded debt, as shall be necessary to complete such payments, and shall, forthwith, return the surplus thereof, on application for the same, to the subscribers lawfully entitled thereto. And the commissioners, respectively, shall deposit the gold and silver coin, and certificates of public debt by them respectively received as aforesaid from the subscribers to the capital of the said bank, in some place of secure and safe keeping, so that the same may and shall be specifically delivered and transferred, as the same were by them respectively received, to the president, directors, and company, of the bank of the United States, or to their order, as soon as shall be required after the organization of the said bank. And the said commissioners appointed to superintend the subscriptions to the capital of the said bank as aforesaid, shall receive a reasonable compensation for their services respectively, and shall be allowed all reasonable charges and expenses incurred in the execution of their trust, to be paid by the president, directors, and company, of the bank, out of the funds thereof.

Reasonable compensation to the commissioners.

The United States may redeem the funded debt, etc., and the bank may sell for gold and silver, etc.

SEC. 5. *And be it further enacted,* That it shall be lawful for the United States to pay and redeem the funded debt subscribed to the capital of the said bank at the rates aforesaid, in such sums, and at such times, as shall be deemed expedient, anything in any act or acts of Congress to the contrary thereof notwithstanding. And it shall also be lawful for the president, directors, and company, of the said bank to sell and transfer, for gold and silver coin, or bullion, the funded debt subscribed to the capital of the said bank as aforesaid: *Provided always,* That they shall not sell more thereof than the sum of two millions of dollars in any one year; nor sell any part thereof at any time within the United States, without previously giving notice of their intention to the Secretary of the Treasury, and offering the same to the United States for the period of fifteen days, at least, at the current price, not exceeding the rates aforesaid.

The Secretary of the Treasury to subscribe on behalf of the United States, etc.

SEC. 6. *And be it further enacted*, That at the opening of subscription to the capital stock of the said bank, the Secretary of the Treasury shall subscribe, or cause to be subscribed, on behalf of the United States, the said number of seventy thousand shares, amounting to seven millions of dollars, as aforesaid, to be paid in gold or silver coin, or in stock of the United States, bearing interest at the rate of five per centum per annum; and if payment thereof, or of any part thereof, be made in public stock, bearing interest as aforesaid, the said interest shall be payable quarterly, to commence from the time of making such payment on account of the said subscription, and the principal of the said stock shall be redeemable in any sums, and at any periods, which the Government shall deem fit. And the Secretary of the Treasury shall cause the certificates of such public stock to be prepared, and made in the usual form, and shall pay and deliver the same to the president, directors, and company, of the said bank on the first day of January, one thousand eight hundred and seventeen, which stock it shall be lawful for the said president, directors, and company, to sell and transfer for gold and silver coin or bullion, at their discretion: *Provided*, They shall not sell more than two million of dollars thereof in any one year.

The subscribers to the bank incorporated, etc.

SEC. 7. *And be it further enacted*, That the subscribers to the said bank of the United States of America, their successors and assigns, shall be, and are hereby, created a corporation and body politic, by the name and style of "The president, directors, and company of the bank of the United States," and shall so continue until the third day of March, in the year one thousand eight hundred and thirty-six, and by that name shall be, and are hereby, made able and capable, in law, to have, purchase, receive, possess, enjoy, and retain, to them and their successors, lands, rents, tenements, hereditaments, goods, chattels and effects, of whatsoever kind, nature, and quality, to an amount not exceeding, in the whole, fifty-five millions of dollars, including the amount of the capital stock aforesaid; and the same to sell, grant, demise, alien or dispose of; to sue and be sued, plead and be impleaded, answer and be answered, defend and be defended, in all state courts having competent jurisdiction, and in any circuit court of the United States; and also to make, have, and use, a common seal, and the same to break, alter, and renew, at their pleasure; and also to ordain, establish, and put in execution, such by-laws, and ordinances, and regulations, as they shall deem necessary and convenient for the government of the said corporation, not being contrary to the Constitution thereof, or to the laws of the United States; and generally to do and execute all and singular the acts, matters, and things, which to them it shall or may appertain to do; subject, nevertheless, to the rules, regulations, restrictions, limitations, and provisions, hereinafter prescribed and declared.

Corporate name

Twenty-five directors; five to be appointed by the president, etc.

SEC. 8. *And be it further enacted*, That for the management of the affairs of the said corporation, there shall be twenty-five directors, five of whom, being stockholders, shall be annually appointed by the President of the United States, by and with the advice and consent of the Senate, not more than three of whom shall be residents of any one state; and twenty of whom shall be annually elected at the banking house in the city of Philadelphia, on the first Monday of January, in each year, by the qualified stockholders of the capital of the said bank, other than the United States, and by a plurality of votes then and there actually given, according to the scale of voting hereinafter prescribed: *Provided always*, That no person, being a director in the bank of the United States, or any of its branches, shall be a director in any other bank; and should any such director act as a director in any other bank, it shall forthwith vacate his appointment in the direction of the bank of the United States. And the directors, so duly appointed and elected, shall be capable of serving, by virtue of such appointment and choice, from the first Monday in the month of January of each year, until the end and expiration of the first Monday in the month of January of the year next ensuing the time of each annual election to be held by the stockholders as aforesaid. And the board of directors, annually, at the first meeting after their election in each and every year, shall proceed to elect one of the directors to be president of the corporation, who shall hold the said office during the same period for which the directors are appointed and elected as aforesaid: *Provided also*, That the first appointment and election of the directors and president of the said bank shall be at the time and for the period hereinafter declared: *And provided also*, That in case it should at any time happen that an appointment or election of directors, or an election of the president of the said bank, should not be so made as to take effect on any day when, in pursuance of this act, they ought to take effect, the said corporation shall not, for that cause, be deemed to be dissolved; but it shall be lawful at any other time to make such appointments, and to hold such elections, (as the case may be,) and the manner of holding the elections shall be regulated by the by-laws and ordinances of the said corporation; and until such appointments or elections be made, the directors and president of the said bank, for the time being, shall continue in office: *And provided also*, That in case of the death, resignation, or removal of the president of the said corporation, the directors shall proceed to elect another president from the directors as aforesaid: and in case of the death, resignation, or absence, from the United States, or removal of a director from office, the vacancy shall be supplied by the President of the United States, or by the stockholders, as the case may be. But the President of the United States alone shall have power to remove any of the directors appointed by him as aforesaid.

Regulations concerning the direction of the bank, etc.

Manner and time of the banks going into operation, etc.

SEC. 9. *And be it further enacted*, That as soon as the sum of eight millions four hundred thousand dollars in gold and silver coin, and in the public debt, shall have been actually received on account of the subscriptions to the capital of the said bank (exclusively of the subscription aforesaid, on the part of the United States) notice thereof shall be given by the persons under whose superintendence the subscriptions shall have been made at the city of Philadelphia, in at least two newspapers printed in each of the places, (if so many be printed in such places, respectively,) where subscriptions shall have been made, and the said persons shall, at the same time, and in like manner, notify a time and place within the said city of Philadelphia, at the distance of at least thirty days from the time of such notification, for proceeding to the election of twenty directors as aforesaid, and it shall be lawful for such election to be then and there made. And the President of the United States is hereby authorized, during the present session of Congress, to nominate, and, by and with the advice and consent of the Senate, to appoint, five directors of the said bank, though not stockholders, anything in the provisions of this act to the contrary notwithstanding; and the persons who shall be elected and appointed as aforesaid, shall be the first directors of the said bank, and shall proceed to elect one of the directors to be President of the said bank; and the directors and president of the said bank so appointed and elected as aforesaid, shall be capable of serving in their respective office, by virtue thereof, until the end and expiration of the first Monday of the month of January next ensuing the said appointments and elections; and they shall then and thenceforth commence, and continue the operations of the said bank, at the city of Philadelphia.

The directors empowered to appoint officers, clerks, servants, etc.

SEC. 10. *And be it further enacted*, That the directors, for the time being shall have power to appoint such officers, clerks, and servants, under them as shall be necessary for executing the business of the said corporation, and to allow them such compensation for their services, respectively, as shall be reasonable; and shall be capable of exercising such other powers and authorities for the well governing and ordering of the officers of the said corporation, as shall be prescribed, fixed, and determined, by the laws, regulations, and ordinances of the same.

Fundamental articles, etc.

SEC. 11. *And be it further enacted*, That the following rules, restrictions, limitations, and provisions, shall form and be fundamental articles of the constitution of the said corporation, to wit:

Rules concerning voting for directors.

First. The number of votes to which the stockholders shall be entitled, in voting for directors, shall be according to the number of shares he, she, or they, respectively, shall hold, in the proportion following, that is to say; for one share and not more than two shares, one vote; for every two shares above two, and not exceeding ten, one vote; for every four shares above ten, and not exceeding thirty, one vote; for every six shares above thirty, and not exceeding sixty, one vote; for every eight shares above sixty, and not exceeding one hundred, one vote; and for every ten shares above one hundred, one vote; but no person, co-partnership, or body politic, shall be entitled to a greater number than thirty votes; and after the first election, no share or shares shall confer a right of voting, which shall not have been holden three calendar months previous to the day of election. And stockholders actually resident within the United States, and none other, may vote in elections by proxy.

A part of the directors appointed by the stockholders and president, alone eligible a second year successively. President always eligible.

Second. Not more than three-fourths of the directors elected by the stockholders, and not more than four-fifths of the directors appointed by the President of the United States, who shall be in office at the time of an annual election, shall be elected or appointed for the next succeeding year; and no director shall hold his office more than three years out of four in succession: but the director who shall be the president at the time of an election may always be re-appointed or re-elected, as the case may be.

Stockholders, citizens, may be only appointed directors. Directors to have no compensation, other than the president.

Third. None but a stockholder, resident citizen of the United States, shall be a director; nor shall a director be entitled to any emoluments; but the directors may make such compensation to the president for his extraordinary attendance at the bank, as shall appear to them reasonable.

Seven directors, including the president may constitute a board.

How his place is supplied in case of absence or sickness.

Fourth. Not less than seven directors shall constitute a board for the transaction of business, of whom the president shall always be one, except in case of sickness or necessary absence: in which case his place may be supplied by any other director whom he, by writing, under his hand, shall depute for that purpose. And the director so deputed may do and transact all the necessary business, belonging to the office of the president of the said corporation, during the continuance of the sickness or necessary absence of the president.

General meeting of the stockholders—how to be called.

Fifth. A number of stockholders, not less than sixty, who, together, shall be proprietors of one thousand shares or upwards, shall have power at any time to call a general meeting of the stockholders for purposes relative to the institution, giving at least ten weeks' notice in two public newspapers of the place where the bank is seated, and specifying in such notice the object or objects of such meeting.

Cashier to give bonds and security.

Sixth. Each cashier or treasurer, before he enters upon the duties of his office, shall be required to give bond, with two or more sureties, to the satisfaction of the directors, in a sum not less than fifty thousand dollars, with a condition for his good behaviour and the faithful performance of his duties to the corporation.

Limitation concerning, and a description of the real

Seventh. The lands, tenements, and hereditaments, which it shall be lawful for the said corporation to hold, shall be only such as shall be requisite for its immediate accommodation in relation to the convenient transacting of its business, and such as shall have been *bona fide* *estate which may be held by the corporation.*

mortgaged to it by way of security, or conveyed to it in satisfaction of debts previously contracted in the course of its dealings, or purchased at sales, upon judgments which shall have been obtained for such debts.

Maximum of debts which the corporation may at one time contract.

Remedy against the directors under whose administration an excess of debt shall be created.

Eighth. The total amount of debts which the said corporation shall at any time owe, whether by bond, bill, note, or other contract, over and above the debt or debts due for money deposited in the bank, shall not exceed the sum of thirty-five millions of dollars, unless the contracting of any greater debt shall have been previously authorized by law of the United States. In case of excess, the directors under whose administration it shall happen, shall be liable for the same in their natural and private capacities: and an action of debt may in such case be brought against them, or any of them, their or any of their heirs, executors, or administrators, in any court of record of the United States, or either of them, by any creditor or creditors of the said corporation, and may be prosecuted to judgment and execution, any condition, covenant, or agreement, to the contrary notwithstanding. But this provision shall not be construed to exempt the said corporation or the lands, tenements, goods, or chattels of the same from being also liable for, and chargeable with, the said excess.

Directors absent or dissenting exempted.

Such of the said directors, who may have been absent when the said excess was contracted or created, or who may have dissented from the resolution or act whereby the same was so contracted or created, may respectively exonerate themselves from being so liable, by forthwith giving notice of the fact, and of their absence or dissent, to the President of the United States, and to the stockholders, at a general meeting, which they shall have power to call for the purpose.

In what the corporation may transact business and trade.

Ninth. The said corporation shall not, directly or indirectly, deal or trade in anything except bills of exchange, gold or silver bullion, or in the sale of goods really and truly pledged for money lent and not redeemed in due time, or goods which shall be the proceeds of its lands. It shall not be at liberty to purchase any public debt whatsoever, nor shall it take more than at the rate of six per centum per annum for or upon its loans or discounts.

Loans exceeding certain sums not to be made the United States or particular states, or foreign states, but by acts of Congress.

Tenth. No loan shall be made by the said corporation, for the use or on account of the Government of the United States, to an amount exceeding five hundred thousand dollars, or of any particular state to an amount exceeding fifty thousand dollars, or of any foreign prince or state, unless previously authorized by a law of the United States.

Rules to be prescribed for making the stock assignable.

Eleventh. The stock of the said corporation shall be assignable and transferable, according to such rules as shall be instituted in that behalf, by the laws and ordinances of the same.

The bills, obligatory and of credit, under the seal of the corporation; how assignable.

Twelfth. The bills, obligatory and of credit, under the seal of the said corporation, which shall be made to any person or persons shall be assignable by endorsement thereupon, under the hand or hands of such person or persons, and his, her, or their executors or administrators, and his, her, or their assignee or assignees, and so as absolutely to transfer and vest the property thereof in each and every assignee or assignees successively, and to enable such assignee or assignees, and his, her, or their executors or administrators, to maintain an action thereupon in his, her, or their own name or names:

Proviso.

Provided, That said corporation shall not make any bill, obligatory, or of credit, or other obligation under its seal for the payment of a sum less than five thousand dollars. And the bills or notes which may be issued by order of the said corporations signed by the president, and countersigned by the principal cashier or treasurer thereof, promising the payment of money to any person or persons, his, her, or their order, or to bearer, although not under the seal of the said corporation, shall be binding and obligatory upon the same, in like manner, and with like force and effect, as upon any private person or persons, if issued by him, her or them, in his, her or their private or natural capacity or capacities, and shall be assignable and negotiable in like manner as if they were so issued by such private person or persons; that is to say, those which shall be payable to any person or persons, his, her or their order, shall be assignable by endorsement, in like manner and with the like effect as foreign bills of exchange now are; and those which are payable to bearer shall be assignable and negotiable by delivery only:

Proviso.

Provided, That all bills or notes, so to be issued by said corporation, shall be made payable on demand, other than bills or notes for the payment of a sum not less than one hundred dollars each, and payable to the order of some person or persons, which bills or notes it shall be lawful for said corporation to make payable at any time not exceeding sixty days from the date thereof.

Half yearly dividends to be made.

A statement of the affairs of the company to be laid before the stockholders.

Delinquent subscribers to lose the benefit of dividends.

Thirteenth. Half yearly dividends shall be made of so much of the profits of the bank as shall appear to the directors advisable; and once in every three years the directors shall lay before the stockholders, at a general meeting, for their information, an exact and particular statement of the debts which shall have remained unpaid after the expiration of the original credit, for a period of treble the term of that credit, and of the surplus of the profits, if any, after deducting losses and dividends. If there shall be a failure in the payment of any part of any sum subscribed to the capital of the said bank by any person, co-partnership, or body politic, the party failing shall lose the benefit of any dividend which may have accrued prior to the time for making such payment, and during the delay of the same.

Fourteenth. The directors of the said corporation shall establish a competent office of discount and deposit in the District of Columbia whenever any law of the United States shall

Offices to be established in the District of Columbia and the several states when authorized and required by law.
Proviso.

require such an establishment; also one such office of discount and deposit in any state in which two thousand shares shall have been subscribed or may be held, whenever, upon application of the legislature of such state, Congress may by law require the same: *Provided*, the directors aforesaid shall not be bound to establish such office before the whole of the capital of the bank shall have been paid up. And it shall be lawful for the directors of the said corporation to establish offices of discount and deposit, wheresoever they shall think fit, within the United States or the territories thereof, and to commit the management of the said offices, and the business thereof, respectively, to such persons and under such regulations as they shall deem proper, not being contrary to law or the constitution of the bank. Or instead of establishing such offices, it shall be lawful for the directors of the said corporation, from time to time, to employ any other bank or banks, to be first approved by the Secretary of the Treasury, at any place or places that they may deem safe and proper, to manage and transact the business proposed as aforesaid, other than for the purposes of discount, to be managed and transacted by such offices, under such agreements, and subject to such regulations, as they shall deem just and proper. Not more than thirteen nor less than seven managers or directors, of every office established as aforesaid, shall be annually appointed by the directors of the bank to serve one year; they shall choose a president from their own number; each of them shall be a citizen of the United States, and a resident of the state, territory, or district wherein such office is established; and not more than three-fourths of the said managers or directors, in office at the time of an annual appointment, shall be re-appointed for the next succeeding year; and no director shall hold his office more than three years out of four, in succession; but the president may be always re-appointed.

Secretary of the Treasury authorized to call upon the bank for a statement not exceeding a weekly one, of its concerns.
Proviso.

Fifteenth. The officer at the head of the Treasury Department of the United States shall be furnished, from time to time, as often as he may require, not exceeding once a week, with statements of the amount of the capital stock of the said corporation and of the debts due to the same; of the moneys deposited therein; of the notes in circulation, and of the specie in hand; and shall have a right to inspect such general accounts in the books of the bank as shall relate to the said statement: *Provided*, That this shall not be construed to imply a right of inspecting the account of any private individual or individuals with the bank.

No stockholder but a citizen of the United States may vote in choice of directors.

Sixteenth. No stockholder, unless he be a citizen of the United States, shall vote in the choice of directors.

No smaller notes than five dollars to be issued.

Seventeenth. No note shall be issued of less amount than five dollars.

Penalties for dealing in a way or in articles interdicted.

SEC. 12. *And be it further enacted*, That if the said corporation, or any person or persons, for or to the use of the same, shall deal or trade in buying or selling goods, wares, merchandise, or commodities whatsoever, contrary to the provisions of this act, all and every person and persons by whom any order or direction for so dealing or trading shall have been given; and all and every person and persons who shall have been concerned as parties or agents therein, shall forfeit and lose treble the value of the goods, wares, merchandise and commodities in which such dealing and trade shall have been, one half thereof to the use of the informer, and the other half thereof, to the use of the United States, to be recovered in any action of law with costs of suit.

Penalties for making unlawful loans to the United States or particular states or to foreign governments.

SEC. 13. *And be it further enacted*, That if the said corporation shall advance or lend any sum of money for the use or on account of the Government of the United States, to an amount exceeding five hundred thousand dollars; or of any particular state, to an amount exceeding fifty thousand dollars; or of any foreign prince or state, (unless previously authorized thereto by a law of the United States), all and every person and persons, by and with whose order agreement, consent, approbation and connivance such unlawful advance or loan shall have been made, upon conviction thereof shall forfeit and pay, for every such offence, treble the value or amount of the sum or sums which have been so unlawfully advanced or lent; one-fifth thereof to the use of the informer, and the residue thereof to the use of the United States.

Notes of the bank receivable in payments of all dues to United States, until, etc.

SEC. 14. *And be it further enacted*, That the bills or notes of the said corporation originally made payable, or which shall have become payable on demand, shall be receivable in all payments to the United States, unless otherwise directed by act of Congress.

Repealed, 1836, ch. 97.
The bank to give the necessary facilities without any charge, for transferring the funds of the United States to different quarters.

SEC. 15. *And be it further enacted*, That during the continuance of this act, and whenever required by the Secretary of the Treasury, the said corporation shall give the necessary facilities for transferring the public funds from place to place, within the United States, or the territories thereof, and for distributing the same in payment of the public creditors, without charging commissions or claiming allowance on account of difference of exchange, and shall also do and perform the several and respective duties of the commissioners of loans for the several states, or of any one or more of them, whenever required by law.

Deposits of the public moneys to be made in the bank or its branches, or the reasons to be laid before Congress by the Secretary of the Treasury for its not being done.

SEC. 16. *And be it further enacted*, That the deposits of the money of the United States, in places in which the said bank and branches thereof may be established, shall be made in said bank or branches thereof, unless the Secretary of the Treasury shall at any time otherwise order and direct; in which case the Secretary of the Treasury shall immediately lay before Congress, if in session, and if not, immediately after the commencement of the next session, the reasons of such order or direction.

Corporation prohibited from suspending payments in specie, by being made chargeable with the payment of interest at the rate of 12 per centum per annum.

Proviso.

SEC. 17. *And be it further enacted*, That the said corporation shall not at any time suspend or refuse payment in gold and silver, of any of its notes, bills or obligations; nor of any moneys received upon deposit in said bank, or in any of its offices of discount and deposit. And if the said corporation shall at any time refuse or neglect to pay on demand any bill, note or obligation issued by the corporation, according to the contract, promise or undertaking therein expressed; or shall neglect or refuse to pay on demand any moneys received in said bank, or in any of its offices aforesaid, on deposit, to the person or persons entitled to receive the same, then, and in every such case, the holder of any such note, bill, or obligation, or the person or persons entitled to demand and receive such moneys as aforesaid, shall, respectively be entitled to receive and recover interest on the said bills, notes, obligations or moneys until the same shall be fully paid and satisfied, at the rate of twelve per centum per annum from the time of such demand as aforesaid; *Provided*, That Congress may at any time hereafter enact laws enforcing and regulating the recovery of the amount of the notes, bills, obligations or other debts, of which payment shall have been refused as aforesaid, with the rate of interest above mentioned, vesting jurisdiction for that purpose in any courts, either of law or equity, of the courts of the United States, or territories thereof, or of the several states, as they may deem expedient.

Penalties for forging, counterfeiting, etc.

Proviso.

SEC. 18. *And be it further enacted*, That if any person shall falsely make, forge, or counterfeit, or cause or procure to be falsely made, forged or counterfeited, or willingly aid or assist in falsely making, forging or counterfeiting, any bill or note in imitation of or purporting to be a bill or note issued by order of the president, directors, and company of the said bank, or of any order or check on the said bank or corporation, or any cashier thereof; or shall falsely alter, or cause or procure to be falsely altered, or willingly aid or assist in falsely altering any bill or note issued by order of the president, directors, and company of the said bank, or any order or check on the said bank or corporation, or any cashier thereof; or shall pass, utter or publish, or attempt to pass, utter or publish as true any false, forged, or counterfeited bill or note purporting to be a bill or note issued by order of the president, directors and company of the said bank, or any false, forged or counterfeited order or check upon the said bank or corporation, or any cashier thereof, knowing the same to be falsely forged or counterfeited; or shall pass, utter or publish, or attempt to pass, utter or publish as true, any falsely altered bill or note issued by order of president, directors and company of the said bank, or any falsely altered order or check on the said bank or corporation, or any cashier thereof, knowing the same to be falsely altered with intention to defraud the said corporation or any other body politic or person; or shall sell, utter or deliver, or cause to be sold, uttered or delivered, any forged or counterfeited note or bill in imitation, or purporting to be a bill or note issued by order of the president and directors of the said bank, knowing the same to be false, forged, or counterfeited every such person shall be deemed and adjudged guilty of felony, and being thereof convicted by due course of law shall be sentenced to be imprisoned and kept to hard labour for not less than three years, nor more than ten years, or shall be imprisoned not exceeding ten years, and fined not exceeding five thousand dollars: *Provided*, That nothing herein contained shall be construed to deprive the courts of the individual states, of a jurisdiction under the laws of the several states, over any offence declared punishable by this act.

For engraving after the similitude of the plates used for the bank, any plates, etc.

Punishment.

SEC. 19. *And be it further enacted*, That if any person shall make or engrave, or cause, or procure to be made or engraved, or shall have in his custody or possession, any metallic plate, engraved after the similitude of any plate from which any notes or bills issued by the said corporation shall have been printed, with intent to use such plate, or to cause, or suffer the same to be used, in forging or counterfeiting any of the notes or bills issued by the said corporation; or shall have in his custody or possession, any blank note or notes, bill or bills, engraved and printed after the similitude of any notes or bills issued by the said corporation, with intent to use such blanks, or cause, or suffer the same to be used, in forging or counterfeiting any of the notes or bills issued by the said corporation; or shall have in his custody or possession any paper adapted to the making of bank notes or bills, and similar to the paper upon which any notes or bills of the said corporation shall have been issued, with intent to use such paper, or cause, or suffer the same to be used, in forging or counterfeiting any of the notes or bills issued by the said corporation, every such person, being thereof convicted, by due course of law, shall be sentenced to be imprisoned, and kept to hard labour, for a term not exceeding five years, or shall be imprisoned for a term not exceeding five years and fined in a sum not exceeding one thousand dollars.

Bonus to be paid to the United States for this Charter.

SEC. 20. *And be it further enacted*, That in consideration of the exclusive privileges and benefits conferred by this act, upon the said bank, the president, directors, and company thereof, shall pay to the United States, out of the corporate funds thereof, the sum of one million and five hundred thousand dollars, in three equal payments; that is to say: five hundred thousand dollars at the expiration of two years; five hundred thousand dollars at the expiration of three years; and five hundred thousand dollars at the expiration of four years after the said bank shall be organized, and commence its operations in the manner hereinbefore provided.

Congress to establish no other bank except in the District of Columbia.

SEC. 21. *And be it further enacted,* That no other bank shall be established by any future law of the United States during the continuance of the corporation hereby created, for which the faith of the United States is hereby pledged. *Provided,* Congress may renew existing charters for banks in the District of Columbia, not increasing the capital thereof, and may also establish any other bank or banks in said district, with capitals not exceeding, in the whole, six millions of dollars, if they shall deem it expedient. And notwithstanding the expiration of the term for which the said corporation is created, it shall be lawful to use the corporate name, style, and capacity, for the purpose of suits for the final settlement and liquidation of the affairs and accounts of the corporation, and for the sale and disposition of their estate, real, personal, and mixed: but not for any other purpose, or in any other manner whatsoever, nor for a period exceeding two years after the expiration of the said term of incorporation.

Authority to use the name of the corporation, etc., for two years after the charter shall expire.

Limitation of time prescribed for the bank going into operation.

SEC. 22. *And be it further enacted,* That if the subscriptions and payments to said bank shall not be made and completed so as to enable the same to commence its operations, or if the said bank shall not commence its operations on or before the first Monday in April next, then, and, in that case, Congress may, at any time within twelve months thereafter, declare, by law this act null and void.

Committees of either House of Congress may inspect the books, etc., of the bank.

For what purpose.

SEC. 23. *And be it further enacted,* That it shall, at all times, be lawful for a committee of either House of Congress, appointed for that purpose, to inspect the books, and to examine into the proceedings of the corporation hereby created, and to report whether the provisions of this charter have been, by the same violated or not; and whenever any committee, as aforesaid, shall find and report, or the President of the United States shall have reason to believe that the charter has been violated, it may be lawful for Congress to direct, or the President to order, a scire facias to be sued out of the circuit court of the district of Pennsylvania, in the name of the United States, (which shall be executed upon the president of the corporation for the time being, at least fifteen days before the commencement of the term of said court,) calling on the said corporation to show cause wherefore the charter hereby granted, shall not be declared forfeited; and it shall be lawful for the said court, upon return of the said scire facias, to examine into the truth of the alleged violation, and if such violation be made appear, then to pronounce and adjudge that the said charter is forfeited an annulled. *Provided, however,* Every issue of fact which may be joined between the United States and the corporation aforesaid, shall be tried by a jury. And it shall be lawful for the court aforesaid to require the production of such of the books of the corporation as it may deem necessary for the ascertainment of the controverted facts; and the final judgment of the court aforesaid, shall be examinable in the Supreme Court, of the United States by writ of error, and may be there reversed or affirmed, according to the usages of law.

Proviso.

Approved, April 10, 1816.

Great Britain's System

Coin

THE British coinage system is unique among civilized countries in that it is the only one absolutely ignoring the decimal method of notation, and continues in a sense the ancient practice of weight designations for the money-metals. For the pound sterling of 480 pence retains the characteristic of the pound Troy of 480 penny-weights. The fineness of its gold is still measured by carats, the standard being 22 carats giving the rate .916 2-3.

Originally the pound was literally a pound of "sterling silver," which means silver .925 pure. The value was reduced from time to time until 1816, when it was fixed at £3 6 shillings. But since that date silver has been used only as subsidiary, gold being the sole standard coin.

Gold of 22 carats fine yields £46 14 sh. 6d. to the Troy pound, making the ounce worth 77sh. 10½d. The sovereign, as the £ is colloquially called, weighs 123.274 grains, of which 113.001 grains is pure gold; the United States dollar contains 23.22 grains of pure gold, hence the £ is equal to $4.8665. It is divided into 20 shillings of 12 pence each, the latter being divided into 4 farthings each.

The law provides that any one having gold of approximately standard fineness may take it to the Mint and have it coined free; but as this involves delay, a further provision compels the Bank of England to buy the gold at 77sh. 9d. or 1½d. below the Mint price. This creates a quick, open market for gold, and London has become the chief center for the buying and selling of the yellow metal.

Among the British possessions only Australasia, South Africa and a few small islands, have the system of the mother country complete.

The stock of gold in Great Britain is estimated at about $650,000,000 and despite the great use of checks, more than half of the gold is assumed to be in circulation. The coin and currency supply works out a per capita of $19.60.

Paper Currency

The paper currency consists entirely of bank-notes, issued in England and Wales by the Bank of England, in Scotland by nine and in Ireland by six local banks. (A very small amount of notes of other English banks are still used, but these are of no consequence).

The issue system provides, since 1844, for a fixed sum upon securities, and beyond that only pound for pound for gold actually received and held; hence a large part of the issue is equivalent to gold certificates. No reserves are required by law to be held against notes, and only those of the Bank of England are legal tender, but in England and Wales only.

The Bank of England dominates the system, and is indeed generally regarded as the dominant financial institution in the world. It was originally chartered in 1694, with a capital of £1,200,000 which it loaned to King William at 8%; upon the public debt thus due to it a note-issue was based. Capital was increased from time to time, chiefly by lending to the Government, until in 1816 the present capital of £14,553,000 (about $70,-800,000) was reached. Notes were issued against the government debt and also on the Bank's own credit. Other banks, both chartered and private, many of which were established, also issued notes on credit. There were no reserve laws, and the country frequently experienced the troubles of depreciated currency; specie payments were suspended continuously from 1797 to 1821, again in 1825, 1826 and 1837.

The charter was originally for eleven years; it was renewed periodically the Government always reserving the right to change it or repeat it at ends of periods on a year's notice.

It was in 1844 that the Government revised the banking system as to England and Wales, by a law which made the Bank of England the dominant factor. It was given the monopoly of currency-issuing for the future; it was permitted to continue the note issues upon government securities, then equal to the amount of its capital, and to increase such issues by two-thirds of the amount of issues which the other banks voluntarily surrendered; beyond this sum issues were permitted only upon actual deposit of coin and bullion, one-fifth of which might be silver. The Bank was required to keep its banking business strictly separate from its note-issuing, and to report its status briefly each week. No reserve requirements were imposed. The Bank is not subject to Government examination.

A prior law had prohibited the issue of notes under £5 in *England and Wales*, and made the Bank's notes legal tender there,

BANK OF ENGLAND, LONDON

except in payments by the Bank, but only if coin redemption was continued. Under the operation of the law the Bank's notes based on securities have reached £18,450,000; other English banks have still out about £500,000.

The Bank is a private corporation, none of its stock being owned by the Government. Voting is limited to holders of £500 of stock, but no stockholder has more than one vote.

The Bank is the treasurer of the Government; the other banks keep deposit accounts with it, and it rediscounts their commercial paper when they need cash; it fixes the discount rate weekly when its report is published (Thursdays) and by reason of its being the depositary of the other banks the discount rate governs the market, in large measure.

It allows no interest on deposits, but will discount paper for anyone having an account with it, which is not difficult to obtain.

Branch banking is highly developed throughout Great Britain; while the Bank of England has only 11 branches the other banks have very many, aggregating 5,257 for the English ones alone. From a system of many independent banks there has developed one of 44 large ones, and the concentration still goes on. Ten years ago there were 77.

All the banks of the United Kingdom are required to report semi-annually to a department of the Government, but these reports are not very detailed. Indeed the joint stock banks (as they are called,) carry on their business quite largely without much restraint, excepting the usual laws governing commercial transactions; there are no specific laws relating to bank supervision. Hence only a few of them report their reserve cash; and it is generally assumed that they hold not more than about 5 per cent. of gold against their deposits, depending upon the Bank of England for help in time of need. This condition has recently led to an agitation for larger gold reserves.

The Bank has not exercised its right to hold silver in its note-fund for probably half a century.

SCOTLAND has a system of its own, regulated by a law of 1845; the Bank of Scotland is the leader among nine issue banks which operate 1242 branches. The amount of notes permitted to be issued on securities was fixed by the law at £2,676,350; all additional issues must be covered by coin, but there is no limit to that sum. The peculiar credit-giving system of Scotland obviates the need for large note-issues, hence the limitation upon circulation is not onerous. There is no reserve requirement.

IRELAND also has a semi-independent system created by the law of 1845; the Bank of Ireland is the chief institution. There are 695 branches. The banks are permitted to issue on securities £6,354,494 of notes, and of course without limit on deposits of coin. A larger issue on securities is permitted because the credit system is not developed. No legal reserve provision exists.

Both Scotch and Irish banks may issue notes as low as £1; the notes have no legal-tender power.

Deposit Currency

As already intimated, Great Britain uses checks against bank deposits very extensively; in no other country has the check system been so highly developed. The statistical table herewith shows the volume of deposits of all the banks in 1911. An estimate of the coin reserves against them is also given. Since the

STATISTICS OF BRITISH BANKS, JUNE, 1911

(In £, 000s Omitted)

	Capital, Surplus, Profits	Net Circulation	Deposits, Current Accounts	Gold in Reserve	Loans, Discounts	All Resources
Bank of England	17,728	29,431	63,042	40,438	36,356	110,214
Other English	86,891	207	761,482	22,000*	492,813	894,351
All English	104,619	29,638	824,524	62,438	529,169	1,004,565
Scotch	18,748	7,126	106,633	6,000*	70,663	137,833
Irish	12,015	7,114	65,418	3,600*	45,812	84,996
All British	135,382	43,878	996,575	72,038	645,644	1,227,394

* Estimated.

Bank of England alone is required to publish actual figures of the coin held, the amount of gold held by the remainder is merely a close guess. It is fair to say, however, that the conservatism of the bankers prevents undue inflation as a rule; the exceptional instances are nevertheless sufficient to disturb the whole structure, when they occur. The advantage of stability is easier of attainment because there are so few individual concerns to deal with, viz.: for Great Britain entire only 74 banking concerns, with 7214 branches. Hence the regulation is simple and in addition thereto, every one of the banks is managed by a corps of trained men, providing the most careful management for even the smallest of the branches.

It should be said here that the other banks reported £250,000,000 of "Cash on hand, at bankers and *at call on short notice;*" the bulk of this was evidently "on call" because it was not in other banks as cash.

The aggregate deposits thus figure out less than $5,000,000,000.

Calculating the gold against notes and deposits combined, the reserve ratio is about 7 per cent. But in practice no one considers the ratio except that of the Bank of England, which was upward of 43 per cent. The safety line is regarded to be at 40 per cent. and when that is reached the bank begins to think of raising its discount rate.

In general the Bank's rate dominates the discount market; but there are qualifications to that statement. Usually the open market rate is below the Bank rate, which is its *minimum*. Thus in 1911, the open market was continuously below at one time a full 1 per cent. Yet when the Bank advanced the rate the other banks quickly followed and kept very near to that of the Bank. While the Bank does not go into the market and buy bills, it may do so. Actually the same purpose is accomplished by permitting individuals to open accounts with it and obtain loans.

The real point to be considered is that the Bank's rate in three years fluctuated between 2½ per cent. and 5 per cent. and was changed twenty times. In 1909 it was at 2½ per cent. for 189 days, in 1910 it was at 3 per cent. for 147 days, in 1911 at 3 per cent. for 196 days. This is far from the stability exhibited by the Bank of France, although perhaps better than that of any other country.

Following is the official report required of the Bank weekly, for a recent date; it is submitted in two parts. The "consolidated statement" is appended for comparative purposes.

The statement being for January 3rd shows a small reserve ratio because of the expansion for the "annual settlements;" soon thereafter the liabilities diminished and the ratio rose.

It is interesting to note that, other things equal, the reserve ratio calculated in the man-

BANK OF ENGLAND RETURN, JANUARY 3, 1912

BANKING DEPARTMENT

Liabilities	
Capital	£14,553,000
Rest (Surplus, &c.)	3,252,000
Public Deposits	16,677,000
Other Deposits	49,352,000
Seven Day Bills, &c	20,000
Total	£83,854,000
Assets	
Government Securities	£15,270,000
Other Securities	44,902,000
Notes	22,895,000
Gold and Silver Coin	787,000
Total	£83,854,000
Notes in hands of public	£29,190,000
Reserve*	23,862,000
Ratio to deposits	35.85%

ISSUE DEPARTMENT

Liabilities	
Notes Issued	£52,085,000
Assets	
Government Debt	11,015,000
Other Securities	7,435,000
Gold Coin and Bullion	33,635,000
Total	£52,085,000

CONSOLIDATED STATEMENT

Deposit Liability	£66,019,000
Net Note Liability	29,190,000
Total	£95,209,000
Coin Held	£34,422,000
Ratio of Coin	36.16%

* Notes and coin in banking department.

ner shown in the consolidated statement, rises as note-issues increase, because for every million of notes emitted 100 per cent. in coin must be deposited.

The issue department return shows that on the date named the credit notes constituted nearly 36 per cent. of the total, and that the gold reserve was 64.68 per cent. As the note-issue increases the ratio rises; if the issue were to fall to £36,900,000 the reserve ratio would be exactly 50 per cent.

The foregoing review indicates that Great Britain passed through experiences not unlike our own early in the last century and was forced to find a remedy in the central bank plan. While the one adopted, which differs from almost all the others, is claimed to have served admirably, there is no disguising the fact that it operates defectively at critical periods. Obviously the system provides for no elasticity in note-issues; an unexpected increased demand for currency can be met only by importing gold, and this must then be at additional cost. The only other alternative is for the Government to suspend the Bank Act and permit note-issues without full coin cover. This was actually done on three occasions, 1847, 1857, 1866, when crises occurred. The power to issue notes was actually availed of only in 1857 and then only to a limited extent. In the other two years the mere fact that the power existed served to allay fears, which in fact constitute an important part of the trouble in a crisis.

Upon two other such occasions at least (1890 and 1907), the Government stood ready to suspend the Act, but assistance was obtained from the Bank of France, which rendered the suspension unnecessary. This suggests that the British system is defective, owing to its rigidity, and that a modification would prove desirable. Many bankers there believe, however, that the provision of larger gold reserves in the other banks would meet the requirements.

The fundamental theory of the system is that the individual banks keep balances with the Bank of England, to which they can resort when they need cash; or they may rediscount paper with the Bank to obtain cash; that when demands for such cash are heavy, compared with the supply, the Bank will discourage the operation by raising the price for money, i. e., its discount rate. This has the effect of bringing gold into the country because it is practically offering a higher price for the metal than other countries are bidding. But when cash is badly needed this operates as a tax upon business, whereas if credit-notes could be issued the discount rate would not have to be raised. Still the policy is to restrain demands, no matter what the conditions may be, and the British public appear satisfied with it, just as they are with their duodecimal coinage system.

The French System

Coin

THE coinage system of France, which has been adopted by a very large number of other states, is decimal as to notation and founded in the metric system as to weight.

During the period prior to the 15th century, when the country consisted of numerous principalities, various money systems existed; after the consolidation into a kingdom, a uniform system was established, in which the *livre* or pound was the important element. (This pound was not the same as the British).

Near the end of the 18th century the *franc* became the unit, and by a law of 1803 the present system was finally adopted. It was bi-metallic with silver at a ratio of 15½ to gold; and the silver 5-franc piece is today still a standard coin although coinage thereof ceased in 1876. Standard coins are all .900 fine; subsidiary silver is only .835 fine.

The chief silver coin weighs 25 grammes, or 385.8 grains, containing 347.22 grains of pure silver; at the ratio to gold this gives the 5-franc gold-piece 22.4 grains of pure metal, against 23.22 grains in the United States dollar; the 5-franc piece is hence valued at 96.47 cents, which gives the franc a rating of 19.29 cts.

The metric gramme equals 15.432 grains; a kilogram is 1,000 grammes; the kilogram of pure gold is worth $664.60.

Paper Currency

Prior to 1848 France had a number of chartered banks issuing currency largely on credit all over the country. It was at about this time that the troubles similar to those experienced in other countries, led to the concentration of the function in the Bank of France. This institution was created in 1800 by the first Napoleon, who with his family and friends continued for some years to control the capital

ROYAL MINT, LONDON

THE FRENCH MINT, PARIS

thereof. The shares passed into private hands with the disappearance of the great emperor, and have remained there ever since. Originally the amount was 30,000,000 francs (nearly $6,000,000). This has been repeatedly increased, until the present figure of 182,500,000 francs was reached in 1857. A substantial part of the increase was made to acquire other note-issuing banks so as to concentrate the function. There are 32,500 share-holders, but only the 200 largest holders vote for members of the governing board.

The law has always limited the gross amount of the note-issues. At first this was 350,000,000 francs; it is now 5,800,000,000 francs. There is no provision in the law prescribing a specie cover for notes, the sole requirement being that the notes "shall be so proportioned to the reserve cash in the vaults of the Bank, that the Bank can at no time be exposed to danger of delaying payment of its obligations when presented." Bearing in mind that this law is over 110 years old, the wisdom thereof is striking.

Yet the policy of the management has been so sound that the Bank has survived the many political changes in the country without difficulties except during the acute revolutionary conditions in 1848 and 1871; and has given the world the most striking example of how to provide a stable money system.

The actual management is in the hands of a governor and two deputy governors who are appointees of the Government. It holds the public money; it operates through 78 branches and some 350 agencies throughout the republic.

The charter is always for a term of years and is regularly renewed, but usually some additional conditions are included, such as increasing the tax, making loans to the Government, and enlarging the maximum of note-issues. Yet the taxation is not onerous; 1-10 of 1 per cent. on notes issued on discounts, 1-50 of 1 per cent. on the rest of the issues and 1-8 of average discount rate on the first-named item. The tax in 1910 amounted to $1,395,000.

The chief point recognized by all, is that the Bank is a great public institution, serving the people as a whole more adequately than any other similar institution in the world.

The notes of the Bank of France are legal tender; they are redeemable either in gold or in silver 5-franc pieces, at the pleasure of the Bank; but the right to redeem in silver is not often exercised, and only for the purpose of discouraging gold exports at times when the policy of the Bank so dictates.

France has the largest per capita supply of money, $41.

Deposit Currency

The French do not transact any considerable part of their business by means of checks; thus the deposit-currency is insignificant. Bank-notes and coin are used almost entirely. But the public are afforded remarkable facilities through the discount system; even the smallest tradesman may have his paper discounted by the Bank; the statistical return shows that nearly half of the paper thus handled by the Bank consists of bills for 100 francs (say $20) or less. Here is the chief source of the great public benefit, made possible by the use of credit-notes, not requiring a coin deposit before the Bank can issue the currency. The discount system is briefly as follows: Commercial paper of any amount, bearing three names, and having not more than 90 days to run, may be discounted.

Most of the paper so far as amount goes is rediscounted through the other banks, which are not numerous but have very many branches. These banks keep balances with the great Bank, but do not carry large reserves.

The ready negotiability of small commercial paper actually takes the place of checks in a large measure. The small tradesman pays his bills with a draft or note and it becomes current paper available at the Bank for its notes. In order to provide a third endorser, an intermediary institution was created for this specific purpose some years ago.

Paris also has an open market for money; the rate quoted there is generally somewhat below that of the Bank. It is noteworthy that the rates for loans upon collateral, i. e., stocks and bonds, are usually a trifle higher than for commercial paper. This is a normal condition due to the proper development of a discount market.

Results in Operation

The table accompanying this chapter shows that the Bank held a very large reserve of gold against its notes. The ratio has been growing in recent years. Thus in 1896 it was 56.7 per cent., in 1908 it was 60 per cent., in 1911 it was 57.2 per cent. This makes for stability. At no time was there need for any inordinate strain to increase the reserve and the service to business was uninterrupted.

The great stability is more definitely shown in the discount rates. Since 1888—a period of 23 years, the rate changed only twenty times. From 1900 until our panic of 1907 the rate stood at 3 per cent. without change; it then rose to 4 per cent. but went back to 3 per cent. in January 1908. When the recent

BANK OF FRANCE, PARIS

BANQUE DE FRANCE

troubles with Germany over Morocco became acute, the rate again rose to 4 per cent. for a short period.

The steadiness of the discount rate, and also the lowness of the rate, is a boon to business that can hardly be over-estimated. It means a value-measure as nearly steady as can be devised. It is hence a proper subject for careful consideration, why the same results should not be attained elsewhere. While conditions in France with its limited area, are in some respects peculiar, the fact that her mechanism for regulating monetary affairs is so far superior in results to any other, should direct attention to the study thereof in every detail.

There are no rigid reserve requirements, yet the reserve is larger than that of the Bank of England; there is no tax on note-issues, except a very small excise rate on the uncovered notes, yet the elasticity of volume is greater than in Germany.

France has also seasonal demands for cash which require expansion; but the Bank has furnished as high as $70,000,000 a week for such purposes without a tremor in the ordinary course of business. Here such a draft on New York's reserves would shake the stock market.

It is further to be said that the Bank's policy has rarely been a narrow one in the international field. When legitimate demands for gold arise and manifest themselves in Paris, she lets gold go freely, so long as the domestic business is not in any way jeopardized. It thus has repeatedly happened that the Bank of France has, in an unobtrusive fashion taken the dominant position in the world's money markets, displacing the British institution. But the policy has been not to seek such dominance, since the domestic business needs are regarded as paramount.

Nor has there been, except upon rare occasions of grave national import, any interference with the management by the Government. It actually has the ruling power, in the appointment of the managers; having exercised that it keeps its hands off.

It should finally be said that the Bank's shares pay dividends as high as 17 per cent.

The Bank makes a report weekly and a comprehensive statement at the end of the year.

Following is a condensed report of the Bank for Nov. 2, 1911, the amounts being stated in *francs*.

BANK OF FRANCE

Liabilities		Assets	
Capital	182,500,000	Gold	3,144,160,000
Surplus and Profits	42,530,000	Silver	789,724,000
Notes	5,493,620,000	Discounts	1,724,385,000
Public Deposits	358,010,000	Loans on Securities	672,175,000
Other Deposits	575,124,000	Loans to Government	199,980,000
Other Items	320,216,000	Other Items	441,576,000
Total	6,972,000,000	Total	6,972,000,000

The returns of the other reporting banking institutions of France show the following items in francs:

Capital and Surplus	1,320,000,000	Bills Discounted	3,100,000,000
Deposits	2,200,000,000	Loans	750,000,000
Current Accounts	2,700,000,000	Current Accounts	1,900,000,000
Acceptances	700,000,000	Cash*	520,000,000
Other Liabilities	280,000,000	Securities, etc	930,000.000
	7,200,000,000		7,200,000,000

* In hand and at Bank of France.

Of the total thus shown three institutions with about 1,000 branches have fully 66 per cent.

There is a mortgage bank with over 5,000,000,000 francs of assets.

The savings banks show deposits of 5,500,000,000 francs.

REICHSBANK, BERLIN
IMPERIAL BANK OF GERMANY

The German System

Coin

GERMANY has a unique coinage system based upon the ancient *mark*. Prior to the unification under the Empire in 1871, there were numerous small states, each with its own system. There had been some uniformity developed out of the ancient heterogeneous money regulations during that long period when Austria dominated in the electoral empire. But even then there was much confusion.

Silver had been the prevailing standard money metal for centuries. The laws of 1871 and later years, established the gold standard, but for a time permitted the existing *thalers* (dollars) or largest silver coins to continue full legal tender. They have been recoined from time to time and have now practically disappeared.

The mark is the unit, but is too small to be coined in gold, being only 6.15 grains in weight, and valued at 23.8 cents. The metric system prevails. The 10-mark piece weighs 3.982 grammes; all coins are .900 fine. The silver mark contains 5 grammes of pure metal. The divisional piece is the *pfennig* of which 100 go to a mark.

Paper Currency

Here as in other countries many individual banks formerly issued notes; at the date of the creation of the Empire there were about 33; then the Imperial Bank was established (1876) and gradually the others gave up note-issues; there are now only four, one each in Baden, Bavaria, Saxony, Wurtemberg; but their emissions are not large.

Although the Imperial Bank is a private stock corporation, the Government appoints the managing board; the Imperial Chancellor is chairman; it thus has virtual control, and under the charter may buy the stock at the end of any ten-year period, that being the term of its existence, usually renewed, with fresh conditions.

It is interesting to note that the Bank is really the successor of the Royal Bank of Prussia which dates from 1765.

The capital, originally 120,000,000 marks, is now 180,000,000 (say $42,850,000). There are about 19,000 shareholders; one vote is allowed each share, but no one may have more than 300 votes. They elect an advisory board only. Dividends are primarily limited to 3½ per cent., except that if profits exceed that rate the surplus is divisible, four-fifths to the Government and one-fifth to shareholders. The latter actually get as high as 7 per cent. which would mean that the Government gets 15 per cent. The Bank has some 500 branches and sub-branches throughout the Empire.

The note-issue function is uniquely regulated. A fixed amount of about 9 marks per capita may be issued on credit; this sum, called the "contingent" is 618,000,000 marks for all of the five banks, the Imperial's share being 550,000,000 marks. They may then issue further sums to the amount of cash on hand; and finally an unlimited amount on credit subject to a tax at the rate of 5 per cent. per annum; but at least one-third of the "cover" for notes must be in cash, the balance in commercial paper discounted, having not more than ninety days to run.

In order to provide for the seasonal demands for more money the law has been amended recently so as to permit the enlargement of the untaxed credit issues at the end of each quarter, if necessary, to 750,000,000 marks.

Silver, and notes of the other issue banks may be treated as part of the cash reserve. There are also Imperial Treasury notes, issued against 120,000,000 marks of gold in the "War Chest," which may be so held, although these notes are irredeemable.

If the Bank has 1,500,000,000 marks of notes in circulation, and 939,000,000 cash on hand, the 561,000,000 marks of credit notes would include 550,000,000 marks untaxed and 11,000,000 marks taxed, except at the quarter-days.

The taxing device is manifestly to restrain inflation; if the tax were added to the discount rate the cost of loans would be discouraging. Actually it is not added in full and often the Bank makes no addition; for it is of record that the rate stood at 4½ per cent. when the tax had to be paid on a substantial part of the notes.

The Bank discounts two-name paper for any one having an account with it; the limit of time for the paper is three months.

The system provides for far greater elasticity than that of England, but not as much as that of France.

The Bank makes a brief report four times a month and a very full one annually.

Deposit Currency

Checks are used more freely in Germany than in France, but not nearly as generally as in Great Britain. Hence deposit-banking is not of dominant importance, but there is evidence of an increase in the volume. The accompanying tables reflect the conditions. Clearings are large, having increased from 42,000,000,000 marks in 1906 to 63,000,000,000 in 1911; but chiefly in large checks.

There are no reserve requirements against deposits, which is a defect now that deposits are growing.

Germany actually uses more coin than paper currency or checks. This circumstance, due to habit and the absence of small notes, has often deprived the Bank of the power over gold. It is estimated that the stock of gold is $1,100,000,000 of which $800,000,000 is in the people's hands; and the money of all kinds per capita is given at $23.49.

The Imperial Bank allows no interest on deposits, although permitted to do so by its charter to a limited extent.

While Germany has quite a large number of commercial banks, the bulk of the business is done by a few very large instutitions with numerous branches; some of these also control many local banks. They all keep accounts with the Imperial Bank and discount paper there. They regulate the "open market" for money, and are permitted to conduct stock-brokerage business. This has been one of the features operating to forward Germany's industrial development, which has called for corporations with share-issues. As a result the preference given commercial loans in London and Paris is not so marked in Berlin.

Results in Operation

Germany's discount rate ranges higher than that of England and France, and is also much more erratic. It is not an infrequent event to have a 7 per cent. rate recorded. In the twenty years from 1888 there were 69 changes in the rate, the range being between 3 and 7½ per cent. In every one of these years taxed notes were necessary, although in eight of the years the discount rate was under the 5 per cent. tax rate.

Great flexibility is of course possible under the system, but subject to the tax. During our panic of 1907 the expansion in three weeks exceeded $100,000,000 and the subsequent contraction in a month was $140,000,000.

About 60 per cent. of the discounting is for the banks. The rule is to exact higher rates for loans on collateral, usually about 1 per cent.

The Bank makes free transfers of balances on its books between branches and agencies; this is a boon to the business men, for payments at a distance can thus be made without shipment of cash. These transactions in domestic exchange constitute the chief business of the Bank, so far as *volume* goes; and it takes the place of check transactions in large measure.

We do not find in the German system the same degree of adaptability to business needs, with a stability to the value-measure, that is found in France. This is partly due to the great needs of the evolutionary period through which Germany has passed in the 40 years since it began to shake off medieval methods.

In some respects the conditions are similar to those in the United States; enormous capital demands for industrial purposes coincident with the commercial needs growing almost as rapidly. Germany is the marvel of Europe in this development; yet she might have accomplished this at far less cost with a better system.

France on the other hand, has always a large surplus of capital available for investment abroad after providing for all home needs. It is worth while comparing the economic development of these two countries since their war of 1871; France paid $1,000,000,000 indemnity in cash and lost territory; but to-day she lends money to Germany by the hundreds of millions. Who will say how far the stable value-measure has helped the French and the unstable one injured the Germans?

IMPERIAL BANK OF GERMANY, RETURN FOR DECEMBER 30, 1911

Liabilities		Assets	
Capital	180,000,000	Gold and silver	1,007,838,000
Surplus, profits	64,814,000	Notes	40,753,000
Notes	2,250,564,000	Securities	148,880,000
Deposits	710,481,000	Bills discounted	1,792,646,000
Other	56,239,000	Loans on Collateral	117,243,000
		Other	154,738,000
	3,262,098,000		3,262,098,000

The taxed notes at this date amounted to 451,973,000 marks; the discount rate was 5 per cent.

The fact that within the past year Germany has borrowed heavily in the New York market, is taken as evidence that her system has broken down. Certain it is that it has proved inadequate and requires improvement.

It would appear, however, that the absence of all tax upon notes in Germany would have been dangerous, looking back upon the speculative era. It is now worth considering whether a tax graduated by conditions, would not be better than the arbitrary fixed rate of 5 per cent. What is equally important to consider is the increase in gold in reserves; this has now been taken into serious consideration by the Government and results may soon be looked for.

A recent statement of the Imperial Bank is appended, the amounts being given in marks.

A statement of the banking power follows, amounts again in marks; the Berlin banks are the nine great institutions which have helped the Imperial Bank build up Germany's industries:

The banks which do not issue notes are not required to state their actual cash holdings; they usually report "cash on hand and at banks" and sometimes include "cash items." The figures thus reported make up about 1,000,000,000 marks. The cash estimates in the table are based upon the actual return of the Deutsche Bank, the greatest of them, which shows a ratio of about 6 per cent. Measuring the total cash against total notes plus deposits and current accounts, it will be seen how heavily the other banks rely upon the Imperial Bank, whose own cash stands at about 34½ per cent.

None of the banks except the issue-banks are subject to examination or to reporting, except the annual reports required by the laws of all corporations.

Germany has very old and successful mortgage banks, which have loaned out 9,000,000,000 marks; also small local institutions for assisting agriculture, which show 4,500,000,000 marks of loans.

Savings banks show deposits of 3,700,000,000 marks.

GERMANY'S BANKING POWER, IN MARKS

	5 Issue Banks	*9 Berlin Banks*	*412 Others**	*All*
Capital and Surplus	315,343,000	1,640,200,000	1,880,000,000	3,835,543,000
Deposits	765,730,000	2,061,000,000	800,000,000	3,626,730,000
Notes	2,403,013,000	....	....	2,403,013,000
Acceptances	....	1,252,000,000	1,020,000,000	2,272,000,000
Other Creditor Accounts	81,492,000	2,908,600,000	1,980,000,000	4,970,092,000
Cash	1,129,398,000	360,000,000†	220,000,000†	1,709,398,000
Bills Discounted	1,954,417,000	1,698,300,000	1,250,000,000	4,902,717,000
Loans	152,884,000	1,517,400,000	900,000,000	2,570,384,000
Securities, &c.	160,524,000	907,300,000	490,000,000	1,557,824,000
Other Debtor Accounts	168,355,000	3,378,800,000	2,820,000,000	6,367,155,000
Totals	3,565,578,000	7,861,800,000	5,680,000,000	17,107,378,000

* Partly approximated. † Estimated; see text.

The System of Austria Hungary

Coin

PRIOR to the union of the two monarchies which constitute the chief parts of this Empire, Austria was a German state and the money system was much the same as that of the earlier days of the other sections of Germany. When the present Empire was constituted (1867) the Austrian system, somewhat developed, was imposed on the other states; but Hungary has always had its own coins. The silver standard dominated until 1892, when, in fact, a radical change took place. The former unit (the florin) was worth 48.2 cents, or exactly 2½ francs; the present unit (krone) is valued at 20.26 cents and has no relation to any other unit of coinage. In this particular a step backward was taken when the gold standard was adopted.

The gold crown is theoretically .3387 of a gramme, equal to 5.228 grains, hence too small

A USTRO-HUNGARIAN BANK, BUDA-PEST
OESTERREICHISCH-UNGARISCHE BANK

to be coined; gold coins are 900 fine. The silver crown weighs 5 grammes, and is also .900 fine.

Paper Currency

The reform of 1892 also extended to the paper currency. Both government notes and bank notes were in use up to that date, and both had been for many years sadly depreciated, not only because they were payable in silver, but because in the absence of adequate reserves, the notes were irredeemable. The bank-note issue had for a number of years prior been concentrated in one bank; hence the reform of 1892 had to deal only with that institution. The reform is to be recorded as a highly creditable undertaking, accomplished only after much sacrifice and tribulation; for the plans did not work out as rapidly and as fully as had been hoped. The Government retired its notes with the help of the Bank and the latter's issues have finally been brought to par in gold. But compulsory redemption is not yet legally fixed.

The Austro-Hungarian Bank is the successor of the Austrian National Bank, founded in 1816. The charter has been repeatedly renewed by special legislation, since 1878, when the present title was adopted. The capital, 210,000,000 crowns, or about $42,000,000, is all privately owned, but the Government appoints the chief officers and half the directors, and maintains careful supervision. It operates through 250 branches, and is pre-eminently an institution for public service. In 1890 the plan for note-issuing was altered to correspond with that of Germany. Credit notes may be issued to the extent of 470,000,000 crowns; beyond that sum notes issued without full coin cover pay a tax of 5 per cent. per annum; the reserve in gold must equal 40 per cent. of both notes *and deposits*; the notes not covered by coin must have commercial paper and securities behind them. Elasticity is thus amply provided for, subject to the tax; the fact that the tax is usually paid during crop-moving periods, shows the utility of the plan.

But the tax is not usually added to the discount rate, the Bank paying it out of its profits as a public service. Since the Government shares in the profits this is a proper policy. Thus shareholders first get 4 per cent. dividends; any further profits are divided equally with the Government, after putting 10 per cent. thereof in the surplus fund; after shareholders have had 6 per cent. dividends, the Government gets two-thirds of the excess. Actually the shareholders get about 7 per cent.

The Bank's notes are legal tender, and are issued in small denominations; thus fully half the issue is in notes of 50, 20 and 10 crowns. This has helped the Bank to obtain gold. Of $357,000,000 of gold in the country only $85,500,000 is estimated to be in circulation. The per capita money supply is $12.47.

Deposit-Currency

Checks are not extensively used, yet other banks, which are quite numerous, carry fairly large deposits. They are not required to hold fixed reserves and in fact do not carry large sums in cash, depending upon the central bank for means when needed. The result is that the note-issues are quite large, usually exceeding 2,000,000,000 crowns. Against this there is always a substantial reserve. But a very large part of the check business is done by the transfers of credits by the central banks and by the highly developed postal savings bank system.

Discount rates are usually lower than in Germany, ranging between 3½ and 5 per cent. and are fairly steady. The money market is not so largely influenced by speculative loans as in Berlin; for Austria has not had such a period of industrial development.

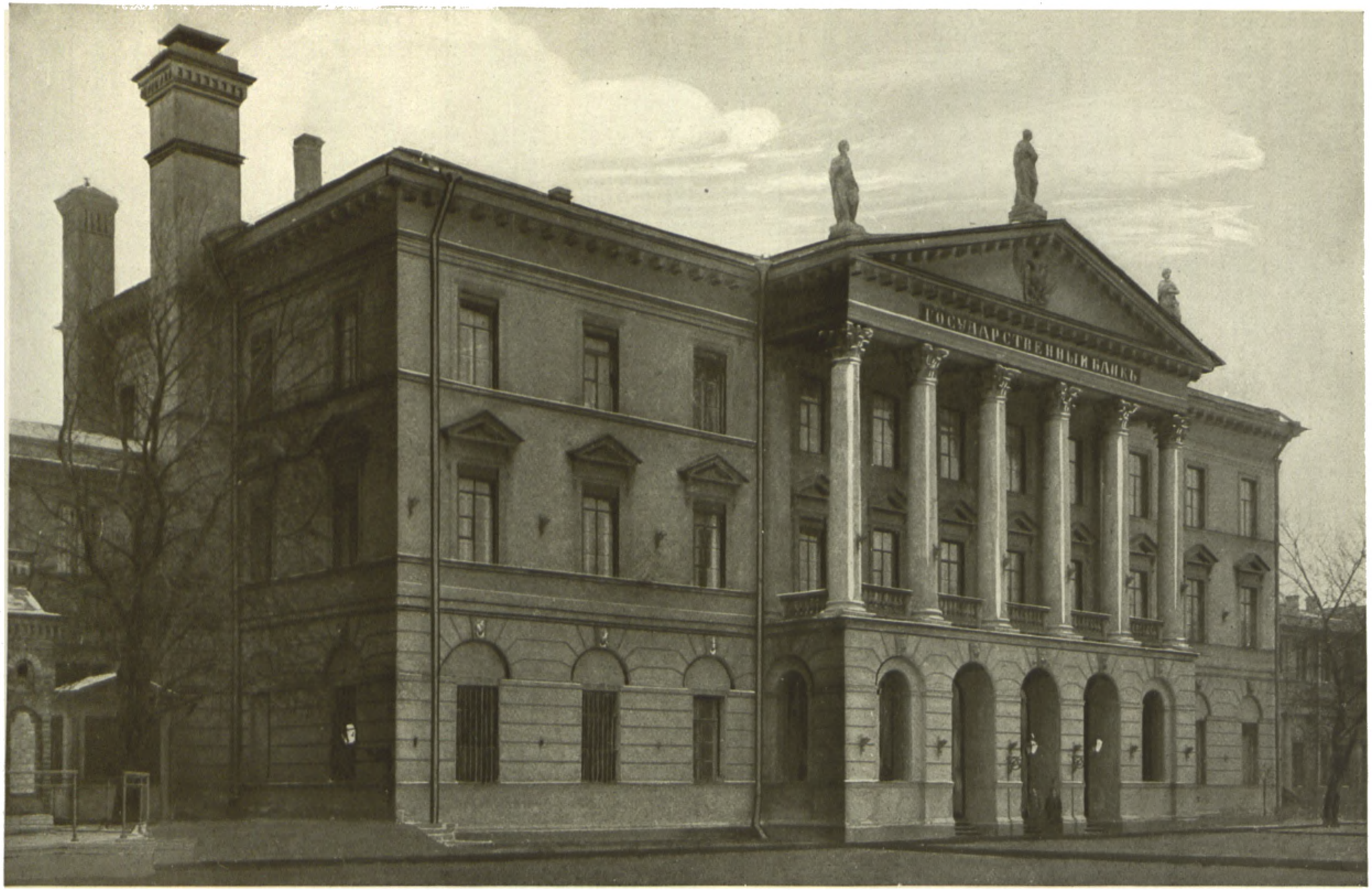
With parity restored to the paper currency the system is operating with great practical benefit.

Some of the principal items in the Bank's statement appear below, the amounts being given in kronen:

AUSTRO-HUNGARIAN BANK

Capital	210,000,000	Gold	1,308,000,000
Surplus	16,000,000	Silver	282,000,000
Notes	2,320,000,000	Bills Discounted	1,013,000,000
Deposits	254,000,000	Loans	85,000,000
Mortgage Bonds	292,000,000	Mortgages	300,000,000

Total resources are nearly 3,30,0000,000 kr.



THE STATE (IMPERIAL) BANK OF RUSSIA, ST. PETERSBURG

GOSUDARSTWENNYJ BANK

Other reporting banks show total resources of over 4,700,000,000 kr., but this does not represent the full commercial banking power, as the statements of some 2,500 small banks are not available.

Savings banks of the several classes show deposits of fully 7,500,000,000 kr. Some of the postal savings banks carry checking accounts.

Russia's System

Coin

THE coinage system of Russia rested on silver until 1899 and hence the money was depreciated and fluctuating. The adoption of the gold standard made the unit the (*ruble* of 100 copecks) 13.27 grains of gold .900 fine, value 51.456 cents. (Thus 7½ rubles = 20 francs.) Subsidiary silver is coined at .900 fine for the larger pieces, but only .500 fine for the smaller. A large amount of silver is used, since the gold stock, though very large, is chiefly in bank. The estimated total gold in the country is $761,400,000; with 154,000,000 population the money per capita is reckoned at $6.75. This is very small.

Paper Currency

The paper currency is all issued by one bank, established in 1860, which has a capital of 50,000,000 rubles all owned by the Government; hence the Bank is virtually a part of the Finance Department, but the note-issuing is now conducted on strict banking principles. For many years the currency was sadly depreciated, but with the great reform coincident with the adoption of the gold standard, gold was acquired by bond-issues and the reserve fortified. The currency thus became sound.

The note-issues of the Bank are permitted to exceed the coin on hand by 300,000,000 rubles; but gold held abroad may also be included as reserve. Except in case of great stress the issue has always been well within the limit. For present Russian conditions the reserve provision appears satisfactory; but as the country develops under the influence of the new regime, it will be necessary to provide a more elastic system for regulating issues.

The Bank discounts freely for other banks and merchants, and regulates the discount rate. It has about 100 branches.

The notes of the Bank are legal tender.

Deposit Currency

Checks are not largely used; but anticipating development there have been enacted laws to regulate the other commercial banks which will have a salutary effect. Thus individual loans are limited to 10 per cent. of capital and total liabilities to five times the capital; reserves of 10 per cent. against deposits, in cash or in balances at the Imperial Bank, and annual reports, are prescribed; examinations are also provided for; loans to directors are prohibited and directors of one bank may not be such in any other.

There are many small municipal banks for local business, and several large ones for the foreign trade.

FINLAND has a money system and a central bank of its own.

Discount rates are higher than in most European countries, having ranged from 4½ to 8 per cent. in recent years; 5 to 6 per cent. is normal.

Statistics following show banking items in rubles.

A partial return of commercial and municipal banks yields a total of resources aggregating 2,000,000,000 rubles.

Mortgage banking is well developed, showing about 800,000,000 rubles of assets.

Savings banks show about 1,560,000,000 rubles of deposits.

BANK OF RUSSIA

Liabilities		Assets	
Capital	50,000,000	Gold	1,300,000,000
Note-issues	1,428,000,000	Gold Abroad	170,000,000
Deposits	42,000,000	Silver, &c	62,000,000
Government Funds	456,000,000	Bills discounted	442,000,000
Current Accounts	184,000,000	Loans	388,000,000
Special Deposits	296,000,000	Securities	122,000,000
Other	68,000,000	Other	40,000,000
Total	2,524,000,000	Total	2,524,000,000

BANK OF ITALY, ROME

BANCA D'ITALIA

Italy's System

Coin

ITALY has a coinage system identical with that of France; the franc is called the *lira* (plural lire) and is divided into 100 centesimi.

Paper Currency

Paper currency is issued by the Government and by three banks; but of these banks two are relatively unimportant to the system; the Bank of Italy is to all intents and purposes the central bank, with a 30-year charter from 1893. It was created by merging a number of others.

The Government currency consists in part of small silver notes; it is not fully covered by coin and is purely for domestic use, hence plays no important part in the general conditions; yet if the country could afford it the people would be better off without this currency.

For many years prior to the establishment of the present system (1893) there was a long era of badly depreciated currency. It will be recalled that the present union of Italian states dates from about 1861; before that each had its banks of issue, many poorly regulated, although Italy had the earliest experience with banks, Venice having had one as early as the twelfth century and Genoa following somewhat later; the present Bank of Naples dates from 1539.

After the union the central government undertook to unify the bank-note system and in part succeeded; but the plan was so defective that failure followed. Sound principles dictated the plan of 1893, but the labor of regeneration was slow and it has been only within a decade that the currency has become sound.

The capital of the Bank of Italy is 240,000,000 lire, but only 180,000,000 is paid up. It is all privately owned; shareholders have one vote for each 20 shares, but none may cast more than 50 votes, no matter how many shares are held. The shareholders elect the 22 directors, and these choose the general manager and submanagers, subject to approval of the Government. The Bank operates through 102 branches and agencies. There are about 10,000 shareholders.

The Government shares largely in the profits. Thus dividends are limited primarily to 5 per cent., then out of further profits one-third goes to the Government, two-thirds belongs to shareholders until they have 6 per cent.; any excess is equally divided between shareholders and Government. Actually the shareholders have not had the higher dividend because the Bank had many burdens to liquidate. Furthermore, the Government gets a substantial income from a note-tax.

The two other issue banks (Naples and Sicily) have no share-capital in the usual sense, having bought out the shareholders long ago.

Note-Issues

Note-issues are regulated thus: the chief Bank may issue 666,000,000 lire on 40 per cent. reserves; the other two 248,000,000 lire; beyond these sums the issues must be fully covered by coin; but for emergencies the chief Bank may issue 150,000,000 lire, on a 40 per cent. reserve if it pays a tax, graduated by amount. On part of the issues in excess of the fixed sum, the Bank pays the Government one-third of the discount rate which it earns thereon; on a second part the exaction is two-thirds; on the third part all of the discount rate earned goes to the Government. This obviously influences the discount rate.

One-fourth of the note-reserves may be in silver.

In fact the Bank of Italy frequently exceeds the "normal" or fixed issue amount. Yet discount rates have in recent years been quite steady, ranging from 3½ to 5½ per cent. Changes are infrequent and must be approved by the Minister of Finance.

Private deposits may be taken, but interest may be allowed only to one-third the discount rate.

Deposit Currency

The use of checks has not developed materially and deposits do not therefore play an important part in the system. There are numerous commercial banks. The regulation of these by the Government is not serious; they make annual reports the same as other corporations; there are no reserve laws. A bureau of the Treasury examines the issue institutions, and all savings banks.

The system of rediscount and transfers of funds partly makes up for the absence of checks. Two-name paper having not more than four months to run is available for rediscount at the Bank at any time, and special provision is made for the facilitation of commerce and industry on a large scale; yet the small tradesman is also accommodated, as in France. The money supply is estimated at $13.88 per capita.

In the past ten years the reform has unquestionably improved conditions enormously, due to the centralized system and able management.

Statistics of banking, amounts stated in lire, follow:

The two other issue banks have about 500,000,000 lire of notes, 350,000,000 lire of coin reserve; total resources about 800,000,000 lire. Other commercial banks have about 1,700,000,000 lire in resources, and savings banks report deposits of nearly 4,000,000,000 lire.

There are a few large mortgage banks with about 1,500,000,000 lire in assets; also agricultural credit banks for small borrowers.

BANK OF ITALY

Liabilities		Assets	
Capital	180,000,000	Cash	1,510,000,000
Surplus	120,000,000	Bills discounted	724,000,000
Notes	1,931,000,000	Advances	167,000,000
Deposits and Current Accounts	305,000,000	Due from Banks	118,000,000

Switzerland's System

THE coinage system of Switzerland is identical with that of France; the unit is also the franc of 100 centimes.

Paper currency was for many years issued by banks chartered by the several cantons (states) and the system operated defectively. In most cases the cantons owned the banks; in others they provided more or less supervision; but uniformity was lacking. After a fruitless endeavor on the part of the Federal Government to regulate these institutions, by prescribing uniform reserve requirements and minor regulations, the present central bank system was adopted in 1905 and established in 1907; under it the forty-two individual banks have been deprived of note-issuing powers, but continue to carry on all other kinds of banking business.

Other commercial banks exist, a few of them quite important. Deposit-currency is not extensively employed, since the habit of using checks has not developed materially. Money per capita is estimated at $31.39. Clearing-houses were established in 1907.

The Swiss National Bank

The Bank has a 20-year charter; the capital is 50,000,000 francs but only half is paid up. The shares are owned thus: 16 per cent. by the former issue banks, 39 per cent. by the cantons, and 45 per cent. by about 10,000 individuals or firms. No shareholder can have more than 100 votes. Of the 40 directors the Government appoints 25; the chief officers are appointed by the Government on recommendation of the board; so also the local managers of the several branches. The head-office for discounting is in Zurich, the chief city; but that for the note-issuing is in Berne, the capital. There are six other branches and thirteen agencies.

Note-issues are limited only by the requirement that there must be a 40 per cent. gold reserve, and the balance of the cover in commercial paper. No stock collateral loans are permitted and no investments in bonds except governments; loans on government and municipal bonds are permitted. Commercial paper discounted must not run more than 90 days, and bear two names.

Payment of interest on deposits (except government funds) is prohibited. Dividends are limited absolutely to 4 per cent. Further profits go to surplus (10 per cent. thereof) and the rest to the Government, which pays over two-thirds thereof to the cantons to reimburse them for the loss of revenues from the old system.

It may discount for any one, may buy bullion and foreign exchange and issue bullion certificates. Its notes are legal tender only in payments to it or to the Government.

Besides the examination prescribed by a committee of the board there is a governmental examination provided for. A short weekly report and an extended annual report, are also prescribed.

Discount rates are fairly stable, 3½ to 4½ per cent. being the usual rate; during our panic in 1907, 6 per cent. was recorded. There have been twelve changes in the rate in three years. Rates for collateral loans are always slightly higher.

This is the most recent example of the establishment of central regulation of banking, and in circumstances somewhat similar to those existing in the United States. It is to be noted that the central organization was not effected until July, 1907, and thus the new system was subjected to the severe test of a world-wide financial crisis before it was four months old. It stood this test, and when the crisis passed the execution of the purpose for which it was created,—regulation of the currency and the discount rates, with uniformity of action throughout the republic,—was satisfactorily realized.

Under the provisions of the law, the Bank assisted the former issue banks to withdraw their notes from circulation within the period fixed, which expired in 1910.

The volume of currency is adapted to the needs almost automatically; the discount rates are uniform throughout the land, and relatively low. An adequate gold reserve has been created and well maintained; the outflow of the yellow metal has been regulated by the Bank, through the possession of a continuously replenished supply of foreign bills of exchange, which the country's export trade furnishes.

Following are statistics of banking, amounts in francs.

The former issue banks, capitalized at about 250,000,000 francs show deposit liabilities of 1,600,000,000 francs and a total of resources about 2,000,000,000.

Savings bank deposits amount to about 1,500,000,000 francs. The aggregate banking resources are thus approximately 6,800,000,000 francs; the population is 3,559,000.

SWISS NATIONAL BANK

Capital	25,000,000	Coin	173,000,000
Notes	266,000,000	Loans	139,000,000
Deposits	182,500,000	Securities	6,000,000

The totals are about 500,000,000 francs.

SEVENTEEN COMMERCIAL BANKS

Capital	390,000,000	Cash	49,345,000
Deposits	1,076,000,000	Discounts	445,000,000
Acceptances	308,000,000	Loans	198,000,000
Obligations	870,000,000	Securities, &c	653,000,000

The accounts balance at 2,820,000,000 francs.

Sweden's System

THE Scandinavian coinage system, of which the unit is the kroner of 100 ore, prevails in Sweden; the standard is gold. Theoretically the unit is 6.914 grains of gold .900 fine, value 26.8 cents.

Paper currency is now issued only by the Royal Bank (founded 1668) which is owned by the Government entirely. The governor is appointed by the king, the six directors by the parliament. Profits go to the Treasury—average about 11 per cent. on the capital of 50,000,000 kroner, after placing 10 per cent. in the surplus fund.

Its notes are legal tender. The issue is limited to 100,000,000 kr. beyond the gold on hand or in foreign banks, but 40,000,000 kr. of the gold must be on hand; and a 30 per cent. metallic reserve must be established against any credit notes above 60,000,000 kr. Notes not thus covered must have securities or bills of exchange behind them.

A monthly report and a comprehensive annual statement are required.

Prior to 1903, twenty-eight other banks also issued notes, under old charters and ineffective regulation; they issued more than the chief institution; results were so unsatisfactory, since uniformity was lacking, that the power was concentrated in the year named. The central bank assisted the others in gradually liquidating their note liabilities.

BANK OF SWEDEN, STOCKHOLM
SVERIGES RIKSBANK

MAIN BANKING ROOM
SVERIGES RIKSBANK

Deposit-currency is not extensively employed; money per capita is $12.18.

Since the reform there has been a marked improvement. In the first place, the Bank keeps the currency well protected, yet discounts very freely, two-name paper which may run up to six months. Expansion and contraction of volume are adapted to the needs. This was well exhibited when in the panicky period of 1907 the discounts were fully equal to the note-issues.

The discount rate has ranged from 4½ to 7 per cent. in recent years, but the high rate was in the 1907 panic. Normally it is about 5 per cent. and there have been less than three changes per year since 1901.

Other commercial banks are now required to limit individual loans and prohibited from taking one-name paper. Monthly reports and periodical inspection are prescribed.

The following statement gives the items in the Bank's account in kroner.

Other commercial banks show 307,000,000 kr. capital, and 2,400,000,000 kr. resources. Savings banks have 920,000,000 kr. on deposit.

BANK OF SWEDEN

Liabilities		Assets	
Capital	50,000,000	Gold	40,000,000
Surplus	12,400,000	Other Cash	52,000,000
Notes	100,000,000	Discounts	101,000,000
Due Banks	50,000,000	Loans and Securities	25,000,000
Public Deposits	8,000,000	Due from Banks	75,000,000
Other	5,600,000	Other	23,000,000
Total	316,000,000	Total	316,000,000

Belgium's System

BELGIUM has a coinage system identical with that of France; the franc of 100 centimes is the unit. Paper currency is issued only by the National Bank; there are, however, special conditions governing the Bank's operations which are worthy of notice.

The Bank is a private stock corporation, created by special charter soon after the kingdom separated from the Netherlands (1851). The charter now runs for 29 years from 1900. Capital is 50,000,000 francs, all paid in; no one with less than ten shares may vote, but no one may have more than five votes, either directly or as proxy.

The shareholders elect six directors and seven censors, who with the governor, appointed by the king, constitute the council of the Bank. The directors have, under the governor the active management; the censors have auditing and supervisory functions. The king also appoints the deputy governor, from among the directors, and the managers of the branch at Antwerp and of the 39 agencies. There is also a Government official charged with supervision and examination.

Checks are not extensively used. The money-supply is estimated at $23.91 per capita.

Dividends are primarily limited to 4 per cent. Excess profits are allotted as follows: 25 per cent. to the Government, 10 per cent. to surplus, 5 per cent. to the managers, 60 per cent. to shareholders. As the dividends average about 15 per cent. the profits are evidently large. Yet the Government gets other revenues.

Thus, if the discount rate is raised above 3½ per cent. the profit derived from the excess rate goes to the Treasury; and if the note-issue exceeds 265,000,000 francs the Treasury imposes a tax of a quarter per cent. on the excess. It gets no interest on its deposits with the Bank, but any surplus revenues must be invested and the income thereon goes to the Treasury.

The notes of the Bank are legal tender; the issue is limited by the coin reserve, which must be at least one-third of *all demand liabilities*. In fact, however, this provision may be suspended by the Government and this is frequently done, particularly when the Bank has a large amount of foreign paper payable in gold (in London and Paris, very near by) which is regarded a satisfactory reserve asset.

The Bank discounts freely for all, on three-name paper having not more than 100 days to run; two-names only are necessary on commercial paper, when accompanied by

BANK OF JAPAN, TOKYO
NIPPON GINKO

PUBLIC OFFICE, BANK OF JAPAN

documents or Government bonds. Loans on collateral are permitted, but are not nearly as large as discounts of bills, other banks doing more of that business; loans to other than merchants must be registered.

Discount rates are usually low, about 3 and 3½ per cent. A 6 per cent. rate was fixed temporarily during the 1907 panic; but in ten years the rate has altered only 22 times.

The Minister of Finance has a voice in fixing the rate.

It is clear that the system makes for stability, and Belgium thus has as stable conditions as France, although not nearly as strong. The influence of the Government unquestionably contributes to the condition and the elasticity of the system makes it adaptable to the needs at any time. Efficient administration is entitled to a large share of the credit.

A statement of the Bank is appended, amounts in francs.

The Bank also carries on a sort of safe deposit business in which it reports some 3,500,000,000 francs of assets.

It will be noted that the coin and bullion in the statement does not equal 20 per cent. of the liabilities; it is frequently the case, but when foreign bills are included the legal ratio is reached.

Other reporting commercial banks have about 2,000,000,000 francs assets; private banks are numerous and important; savings banks, chiefly governmental, show 930,000,000 francs of deposits. There are also agricultural loan banks.

NATIONAL BANK OF BELGIUM

Liabilities		Assets	
Capital	50,000,000	Coin and Bullion	203,000,000
Surplus	28,000,000	Foreign Bills	145,000,000
Notes	900,000,000	Bills Discounted	525,000,000
Deposits and Current Accounts	110,000,000	Loans	215,000,000
Other	137,000,000	Other	137,000,000
Total	1,225,000,000	Total	1,225,000,000

The Japanese System

Coins

JAPAN adopted the gold standard for coinage in 1897. The unit is the *yen* of 100 *sen*. Prior to that change in standard the bi-metallic system rated the yen at 99.7 cents; as silver had declined about one-half, the value of the unit was cut in two, to 49.8 cents. In gold it weighs 12.86 grains .900 fine, too small to be coined; silver for subsidiary coin is .800 fine.

Paper Currency

In some respects Japan's experience with paper has been very like our own. She complimented us mistakenly in 1872 by adopting our national banking system; there were also other banks without issue power, like our state banks; and the Government also issued notes. By 1882 the system was found very unsatisfactory.

To provide elasticity of currency and thus reduce discount rates, the reform took the shape of a central bank of issue, continuing the other banks without note-functions. It has proved remarkably successful. A powerful bank to regulate foreign trade was then also created with very satisfactory results. The government notes have been retired.

The Bank of Japan has an authorized capital of 60,000,000 yen, paid up 37,500,000 yen; the Government took part thereof to help it start, and it has always maintained a direct influence in the control. Thus it appoints the chief officers; also the directors from among nominees of the shareholders, and it retains the power of vetoing any acts of the managers regarded detrimental to it.

Note-issuing is modeled somewhat on the German plan. Thus the Bank may issue to any amount upon coin in bank; 120,000,000 yen upon securities or commercial paper discounted; beyond that to any sum subject to a tax of 5 per cent. per annum. There is no fixed reserve requirement.

The Bank rediscounts for others and dominates the rate for loans. It reports briefly each week and comprehensively at the end of the year.

Deposit Currency

Checks are coming into greater use, as indicated by the clearing-house returns; 8,211,000,000 yen cleared, 1910, compared with 5,532,000,000 yen in 1905. In view of this, a law of 1890 provided for some regulation of banks, but not as to reserves. The statistics appended show that the other commercial banks are important and increasingly so.

As an example of the effect of the system upon discounts, the reduction of the average rate at Tokio from 9.7 per cent. in 1902 to 5.8 per cent. in 1911 is cited. The Bank's rate has been at about 5 per cent. in recent years.

Banking Statistics, In Yen

BANK OF JAPAN

Liabilities		Assets	
Capital	37,500,000	Gold	222,400,000
Surplus	26,560,000	Securities	179,200,000
Notes	401,600,000	Discounts	102,600,000
Deposits	280,800,000	Loans	40,300,000

The deposits are largely government funds.

ONE THOUSAND, SIX HUNDRED AND FIVE COMMERCIAL BANKS

Capital	316,700,000	Loans	536,000,000
Surplus	96,800,000	Discounts	623,600,000
Deposits	1,141,400,000		

The separate bank for foreign trade shows its status as follows:

YOKOHAMA SPECIE BANK

Capital	30,000,000	Discounts	88,300,000
Surplus and Profits	20,800,000	Bills Receivable, &c	169,000,000
Deposits	141,800,000	Securities	20,100,000
Acceptances, &c	116,100,000	Cash and Due from Banks	27,400,000

There are mortgage, agricultural, industrial and colonial banks.
Savings banks show deposits nearly 300,000,000 yen.

Canada's System

Coin

THE actual standard coin of the Dominion is the gold dollar identical with that of the United States, although British gold coin is also legal tender; since there has been no mint until quite recently, the gold coin in use has been actually that of the United States; subsidiary silver pieces were coined in Great Britain for special use of the colony.

Paper Currency

The Dominion issues legal-tender notes, something like the greenbacks in the United States, against which there is a coin reserve: up to $30,000,000 there must be 15 per cent. gold, and 85 per cent. Dominion bonds; beyond that sum gold, 100 per cent. There are about $100,000,000 of these notes out, of which 70 per cent. are accordingly, gold certificates. The notes are used largely by banks in reserves, and are redeemable in gold.

The bank-note system is in almost every respect most perfectly adapted to needs; but this excellence was reached only after much tribulation. Prior to the federation of the provinces (1867) there had existed local chartered banks which issued notes largely without due restraint, as in the United States; then the bond-security plan was adopted; it was also contemplated at one time to supersede the banknotes with Dominion notes, but the banks refused to surrender their privileges.

Sundry patchwork laws followed in the 70s and 80s, during which periods the banks themselves corrected many defects, developing the present elaborate branch-bank system, which was finally legally established by an act of 1890, perfected by several statutes since, the latest in 1911.

There are now 28 banks having some 2300 branches, every hamlet in the Dominion being thus served in a satisfactory and most economical manner.

The salient provisions of the law are:

Minimum capital $500,000, half paid in; $250,000 cash deposited with Government; approval of Treasury board.

Note-issue allowed up to amount of paid-up capital purely on credit; denominations not under $5; must redeem notes at head office and at branches in chief commercial centers. No reserves required against either notes or deposits, but a 5 per cent. redemption fund for notes is required to be deposited with the Government.

Notes are a first lien on assets, and shareholders are doubly liable.

Monthly reports are required, but no examination is provided for by law.

A general supervision is exercised by the Canadian Bankers' Association, an incorporated body.

Since 1908, an act permits issues of "emergency currency" from Oct. 1 to Dec. 31 each year, to 15 per cent. in excess of capital *and surplus*, taxed at 5 per cent. per annum.

It is thus a system of purely asset currency, with only slight Government supervision.

Charters are for 20 years. Loans are not restricted, but banks are peculiarly well protected by the law respecting liens on property of borrowers.

Deposit Currency

In Canada checks are used extensively, hence, deposit-currency plays an important part in the system, and is well regulated despite the absence of reserve laws; in practice each bank fixes a reserve ratio for itself and holds to it. The managers are all trained bankers, and, thus, are considered to need less fixed restraint.

The per capita money supply is placed at $30.92; deposits in the 28 banks run to $156 per capita. The gold supply is figured at $110,000,000, almost all of which is in the banks, or in the Treasury behind Dominion notes.

Results in Operation

Canada is thus provided with a system which assures soundness and elasticity of volume to the currency; the supply is automatically adapted to the needs, the value measure is rendered stable. These results are accomplished, first, by the practice of issuing notes only as demands for loans and discounts, or needs of depositors, arise; second, by the practice of each bank to promptly return for redemption all notes of every other bank; third, the mutual guarantee of notes by all the banks through the redemption fund; finally, the conservative and expert management.

Not in twenty years has there been a call for the redemption of a single note from the guarantee fund.

No bank can keep out its notes in excess of the demand, because, when not in actual use the notes reach other banks and are at once sent for redemption in specie or Dominion notes; this redemption is apt to cost more than the gain derived from any attempt to force the notes into circulation; such forcing is, moreover, regarded there as a violation of cardinal principles of banking.

Discount rates are in general lower than in the United States, but what is more important, the variation between the rate in the money centers and the distant towns is trifling, whereas in the United States the variation is very great. Yet conditions are strikingly similar; there is a great territory to be served; diverse interests with agriculture dominant; seasonal demands for cash are the same. The contrast in results is due solely to the difference in the monetary and banking systems. It may be said that on one side of the boundary line between the countries 12 per cent. is charged, while on the other the rate is 6 per cent.

The currency supply is always lowest about February 1, and highest about Novemeber 1, corresponding to the crop needs.

The Bank of Montreal, established 1817, has for years been the leader among the banks, but in recent years the Bank of Commerce has grown to a very good second in assets, which are now within $8,000,000 of those of the older bank. Together they hold 32 per cent. of the resources of all.

While the ratio of cash to notes and deposits is only about 13 per cent., it is to be observed that the banks regard their loans on call as almost equal to cash; and it is also to be borne in mind that nearly half the liabilities are in time deposits, which makes the call loans fairly liquid assets for their protection. Counting notes, public deposits due to banks, and demand deposits as immediate liabilities, the ratio of cash is over 27 per cent.

It is interesting to learn that a very substantial part of the call loans abroad will be found in the New York stock market.

In Canada trust companies are not permitted to conduct banking business. Savings banks are both private and governmental; the former hold about $36,000,000, the latter about $57,000,000 of deposits.

STATEMENT OF CANADIAN BANKS, MARCH, 1912

Liabilities		Assets	
Capital, paid up	$111,173,000	Specie	$36,028,000
Surplus	99,234,000	Dominion Notes	96,735,000
Notes in circulation	95,918,000	5% Redemption Fund	5,818,000
Public Deposits	36,818,000	Notes and Checks on Other Banks	50,751,000
Deposits, Demand	331,896,000	Securities	93,989,000
Deposits, Time	606,045,000	Due from Banks	63,121,000
Deposits, Abroad	84,737,000	Loans, Current, Canada	818,287,000
Due to Banks	20,103,000	Loans, Current, Abroad	34,209,000
Other	13,203,000	Loans, Call, Canada	69,846,000
Capital Subscribed, Unpaid	1,455,000	Loans, Call, Abroad	94,667,000
		Real Estate, &c.	36,280,000
Excess Assets	14,277,000	Other	15,128,000
Total Assets	$1,414,859,000		$1,414,859,000

Mexico's System

Coin

After having been a silver-standard country for centuries, as the greatest producer of the white metal, Mexico in 1905 adopted the novel system of having a gold standard with silver currency for the people; establishing a substantial gold redemption fund to enable the exchange of silver for gold at the fixed valuation, so as to prevent depreciation and fluctuation, which had been the condition prior to the reform.

The unit of coinage is the peso containing 12.85 grains of gold .900 fine, hence, valued at 49.8 cents.

Paper Currency

Prior to 1897 there was a lack of uniformity in the constitution and regulation of issue banks. Then the Federal Government undertook central regulation. Notes are now issued by 24 banks located in the several states; but the National Bank is by far the most important and the leader in the system.

The issue banks must have at least 1,000,000 pesos capital, half paid up; they must deposit 20 per cent. of the capital in Government bonds; charters may not run for more than 30 years. In fact, however, this "free-banking" law is suspended until 1822, as there was a disposition to increase the number unduly.

They may issue notes to thrice the paid-up capital, but must have a reserve of 50 per cent. against both notes and other demand liabilities, including deposits. A government official is located in each bank's head office; he keeps check on the note-issues, and countersigns the notes, so that the law is carefully observed. The notes are not legal tender.

The banks operate through branches, and are under strict supervision by the Government. Monthly statements and full annual reports are required.

Deposit Currency

is an insignificant factor; the commercial development of the country has been slow; yet it has prepared for such an evolution in its laws, as the reserve requirement mentioned above, and the inspection system, show. The money supply is estimated at $9.98 per capita.

Separate banks are created under the law for mortgage loans and another class for financing purposes. There are also numerous private banks.

The National Bank has about 40 per cent. of the total business. Promotion banks have about 130,000,000 pesos of resources, mortgage banks, 55,000,000. There are no savings banks.

The issue banks show debts and means approximately as follows, amounts being given in pesos:

MEXICAN BANKS

Capital	118,000,000	Gold	55,000,000
Surplus	55,000,000	Other Cash	35,000,000
Demand Deposits	70,000,000	Discounts	92,000,000
Term Deposits	60,000,000	Loans	60,000,000
Notes	112,000,000	Securities	60,000,000
Current Accounts	50,000,000	Current Accounts	170,000,000
Other	40,000,000	Other	33,000,000
Total	505,000,000	Total	505,000,000

Illustrative Comparative Statements

To illustrate the working of the systems of the four chief countries of Europe, the following figures are presented, the amounts being stated in millions of dollars. The period covered is from September, 1911 to March, 1912. The discount rate reflects changes in condition.

The tables show the quarterly (and particularly the annual) settlement needs; note the expansion in December in each case.

It should be borne in mind that the Austrian Bank is not compelled to redeem notes in gold coin.

The sharp advance in the discount rate in October was due to the political crisis between Germany and France over Morocco. France withdrew funds loaned in Germany, which then resorted to London, and finally to New York. Altogether France exhibits the greatest stability.

BANK OF ENGLAND / BANK OF FRANCE

End of	Gold	Notes	Deposits*	Reserve*	Rate %	Gold	Notes	Loans	Rate %
Sept	207	145	279	155	3	622	1066	282	3
Oct	182	146	248	128	4	629	1099	343	3½
Nov	185	143	258	135	4	642	1090	319	3½
Dec	172	145	329	118	4	634	1145	279	3½
Jan	191	141	246	142	4	639	1093	309	3½
Feb	200	139	331	153	3½	646	1016	285	3½
March	191	143	325	141	3½	650	1051	380	3½

BANK OF GERMANY / AUSTRO-HUNGARIAN BANK

End of	Coin†	Notes	Loans	Rate %	Taxed Notes	Coin†	Notes	Loans	Rate %
Sept	242	558	456	4	126	324	504	239	4
Oct	255	466	349	5	65	318	521	268	5
Nov	269	427	311	5	...	318	485	237	5
Dec	245	547	464	5	114	319	515	269	5
Jan	288	418	286	5	...	322	474	213	4
Feb	297	391	285	5	...	324	459	215	5
March	280	511	429	5	38	319	467	212	5

* Deposits and reserves shown, as more significant than loan items, which are not distinctly reported.
† A substantial part of the coin is silver, not separately stated in the case of Germany.

For a comparison between United States national banks and Canadian banks, at dates nearest the calls of Comptroller of Currency, the following table is given, the amounts being stated in millions of dollars:

1911	United States Notes	United States Deposits	United States Loans	United States Reserves	Canadian Notes	Canadian Deposits	Canadian Loans	Canadian Reserves
Mch. 7	681	5305	5558	908	80	888	871	110
June 7	682	5478	5611	946	82	932	888	118
Sept. 1	697	5490	5663	895	91	959	932	121
Dec. 5	703	5536	5659	863	102	1004	969	138
1912 Feb. 20	704	5630	5810	950	89	1003	989	134

Maximum Canadian note-issue in October, 107 millions; then began to diminish.

Under the Canadian system it is not necessary to curtail loans because the reserves are reduced. The greatest absurdity is shown, however, in the movement of the volume of notes in the United States, compared with that in Canada. Note particularly the increase in the former in February, when demands slacken, and the decrease in the latter.

To illustrate how the three chief systems act under the influence of panic, the following tables are presented, amounts being again stated in millions of dollars. The period covered is from October, 1907 to January, 1908. Panic conditions first manifested themselves in the United States about the middle of October, but the great banks had anticipated them in a measure.

BANK OF ENGLAND

Date	Gold	Notes	Loans, &c.*	Reserve	Rate, %
Oct. 19	169	143	339	114	4½
Nov. 2	154	143	408	101	5½
Nov. 30	156	141	387	106	7
Dec. 28	149	144	392	95	7
Jan. 4	157	144	415	104	6
Jan. 18	174	138	332	126	5

London's free market for gold causes a concentration of demand upon its Bank, and hence rates are necessarily raised to points beyond those of the Bank of France. Note the substantial accumulation of gold after the crisis passed.

* The item includes discounts as well as loans on securities, the former not being separately stated.

BANK OF FRANCE

Date	Gold	Notes	Discount	Rate, %
Oct. 3	535	948	358	3½
Oct. 31	538	965	350	3½
Nov. 28	521	930	359	4
Dec. 26	519	927	346	4
Jan. 2	516	968	416	4
Jan. 23	518	943	345	3

The Bank had raised its rate from 3% before October 19, anticipating trouble; it came back to this rate immediately after the crisis subsided, even though the gold reserves were not materially increased.

BANK OF GERMANY

Date	Coin*	Notes	Disc'ts	Taxed Notes	Rate, %
Oct. 9	201	407	343	94	5½
Oct. 31	203	385	338	69	6½
Nov. 30	185	360	330	62	7½
Dec. 23	196	373	341	64	7½
Dec. 31	187	449	442	149	7½
Jan. 23	244	341	271	...	6

Despite the great increase of coin and decrease in notes and discounts in January, the Bank was constrained to keep the rate at 6% for the time being. Note the movement of taxed notes.

* Includes silver, amount not separately stated.

The strain at the turn of the year is the noteworthy feature; France accomplished it without going above a 4 per cent. rate, increasing discounts 70 millions; Germany had to impose a 7½ per cent. rate to expand 101 millions, and Great Britain's expansion of 83 millions was at a 7 per cent. rate, the lower figure having been fixed after the turn of the year. The raising of discount rates unquestionably restrained expansion, even at the turn of the year. The Bank of England lost 20 millions gold, net; the Bank of France, 22; the German Bank, 16 millions.

Summary of Special Features

NO central bank has a capital as high as 100 millions, that of the Bank of England, about 7½ millions, being by far the largest. None of the others exceed 40 millions.

Russia, Sweden, and a few minor states own the entire stock of their central banks. In all the others there is a restriction upon voting power to prevent concentration of control. In all except England the governments exercise the power of appointment of the management, particularly the chief officers, in a greater or less degree. In Switzerland the Government appoints five-eighths of the directors.

Charters are never for as long as 50 years; in almost all cases the term is 20 years or less, thus reserving the power to the governments to make terms for renewals in accordance with altered conditions.

In almost all cases profits to shareholders are limited, and the governments participate therein. In several cases the governments go so far as to exact the major part of profits derived from the raising of discount rates. This tends to keep rates lower than might otherwise be the case. In a few instances the consent of the governments must be had to raise rates.

In order to enable the banks to make the discount rates fixed by them effective, they are not prohibited from discounting for individuals as well as banks. The usual practice is to permit individuals first to have deposit accounts with the central banks, to entitle them to discounts.

It is almost universal that no interest is allowed on deposits in central banks, except as to government funds in a number of cases.

While in the case of the most successful central bank (the French) no rule as to a reserve ratio on liabilities exists, most of the charters require fixed minimum reserves; but the rigidity of such reserve requirements is in most cases relieved by the power to issue notes in excess of the limit by paying a tax or otherwise.

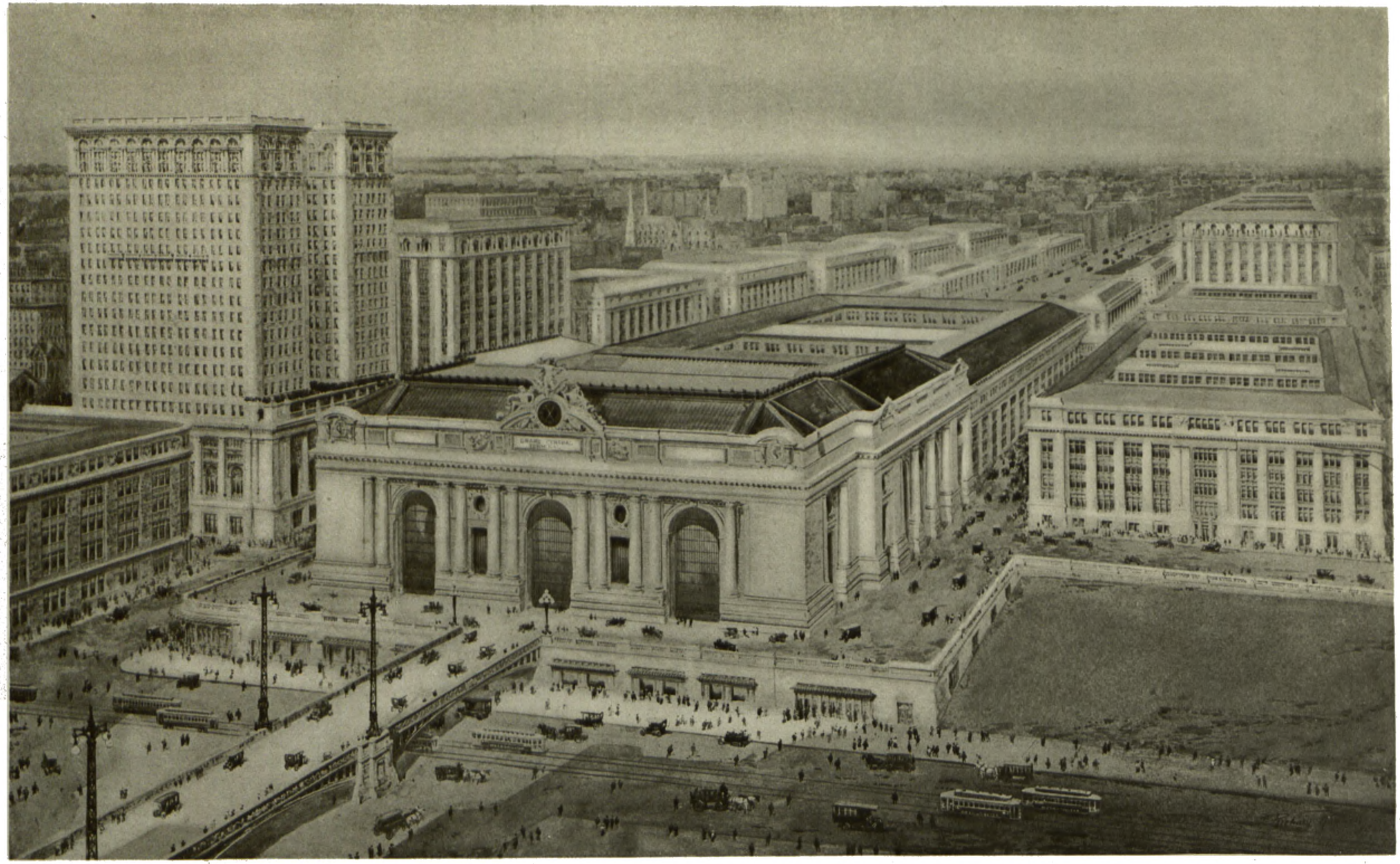
The notes of the central banks, as well as deposits with these by other banks, are available as reserves for the latter; only very few of the latter are required legally to hold specific reserves, even where the checking system is highly developed.

All central banks operate through branches and agencies; transfers of funds for other banks and individuals at small charge (or without charge in some cases) are prescribed and constitute a large part of the business in many of them.

Central bank notes are in many cases made legal tender. They are all redeemable in coin on demand and generally speaking in gold, penalties being imposed in most cases for failure to redeem.

Discounting of bills of exchange is universally a far more important part of the business than loaning on collaterals; and rates for the former are always lower than for the latter.

The concept that a central bank is a public service institution, created for the benefit of the whole people and not only for the banks, prevails everywhere. The nations realize that their trade as a whole is to be served to assure prosperity, and this purpose is the chief end of the systems.



NEW GRAND CENTRAL TERMINAL, NEW YORK CITY

NEW YORK CENTRAL LINES

THE GREATEST RAILWAY TERMINAL IN THE WORLD, A WONDERFUL CIVIC IMPROVEMENT

IRVING NATIONAL BANK

NEW YORK

STATEMENT, July 31, 1912

ASSETS

Immediately available		
Cash in Vault and Checks for Clearings	$12,049,509.18	
Due from Correspondents and Demand Loans	15,302,351.82	$27,351,861.00
Available within 30 days		
Loans Due in 30 Days	4,965,875.95	
United States Bonds	1,527,752.20	
Other Bonds and Investments	2,479,043.82	8,972,671.97
Other loans and discounts		
Due Within 4 Months	13,267,076.40	
Due After 4 Months	3,357,757.94	16,624,834.34
		$52,949,367.31

LIABILITIES

CAPITAL		$4,000,000.00
SURPLUS AND PROFITS		3,071,331.94
Circulation		1,078,800.00
Deposits { Individual	$23,330,363.06	
Deposits { Banks	21,468,872.31	44,799,235.37
		$52,949,367.31

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Treas. Mason-Seaman Transportation Company
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of Breed, Abbott & Morgan, Counsellors-at-Law
WARREN CRUIKSHANK
President Cruikshank Company
JAMES M. DONALD
Chairman Hanover Nat. Bank
ROBT. L. GERRY, Newport, R. I.
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Charles H. Imhoff, *Vice-President*
Emil Klein, *Vice-President*
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Samuel Redfern, *Ass't. Cashier*

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STRICTLY A COMMERCIAL BANK

Our new location will be in the WOOLWORTH BUILDING